

FINAL REPORT ON THE PROCUREMENT AND CONTRACTS REVIEW AND ANALYSIS

Santa Clara Valley Water District

matrix 
consulting group

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February 23, 2010

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1. INTRODUCTION AND EXECUTIVE SUMMARY

This report presents the findings and recommendations for the Santa Clara Valley Water District related to the Procurement and Contracts Review and Analysis conducted by the Matrix Consulting Group. This initial chapter outlines the project scope, the activities undertaken by the project team in conducting the review and analysis, and a summary table of recommendations. Following chapters provide additional detail on specific areas of the work undertaken and a more detailed description of specific recommendations.

1. PROJECT SCOPE AND OBJECTIVES

The District retained the Matrix Consulting Group to conduct a review and analysis of the Procurement and Inventory Unit (PIMU) and the Contract Services Unit (CSU) related to existing policies, management, ~~procedures~~, and standard operating procedures. The overall objective was to develop a plan of action for the District to ~~increase~~ ^{improve} implement best practices within both of these Units to ~~increase~~ the services provided internally to other Business Units.

In conducting this engagement with the Santa Clara Valley Water District, the project team undertook the following steps:

- Detailed interviews with all staff of the Procurement and Inventory Unit and the Contract Services Unit to understand existing policies and procedures, work activities of each position, and current performance levels.
- ~~Detailed interviews with~~ Selected representatives from other departments (customers) that interact with PIMU and/or CSU ~~were also interviewed~~.
- Conducted data collection to gather relevant information regarding the services provided, the volume of work staff has to manage, and the time frames in which the work is completed;

1. INTRODUCTION AND EXECUTIVE SUMMARY

- Conducted interviews with representatives of vendors to fully understand their perceptions of the levels of service provided by the District and to gather their input regarding major areas of opportunity for improvement.
- Compared the District's key policies and procedures to best management practices for procurement and contracts.
- Conducted two vendor surveys (one for prior customers of PIMU and one for prior customers of CSU) to solicit feedback regarding current service levels, satisfaction with current performance, and to identify opportunities for improvement.
- Performed a comparative assessment of the District's organization, policies and selected operating practices and procedures against peer agencies.
- Developed recommendations to integrate best management practices into the organizational structure, policies and procedures.

These activities enabled the project team to analyze the current performance of the District, the duties assigned and allocated to staff, and the opportunities for improvement in the ~~customer~~—service area. The analysis conducted led to the recommendations that are contained in the later chapters of this report.

Remaining tasks of this engagement will be focused on the development of a set of ISO Level II and III policies and procedures for adoption and use by the District. Training will also be provided to District staff on the new policies and procedures once reviewed and accepted by the District.

2. THE DISTRICT EMPLOYS A NUMBER OF BEST PRACTICES IN ITS EXISTING PROCUREMENT PROCESSES.

A review and analysis of the procurement and contracts function by its nature focuses on opportunities for improvement. However, there are a number of strengths in the existing procurement policies and practices utilized at the Santa Clara Valley Water District. Examples of the current strengths are listed below.

- Procurement services are generally centralized throughout the District with professional procurement staff responsible for providing support and assistance to operating units.
- The District has adopted and recently revised the Board policies and executive limitations that govern procurement practices.
- The District has a clear policy on sole source procurements that limits the use of sole source procurements and requires specific review and approval by Procurement Management staff.
- The District utilizes procurement cards to provide a more efficient procurement process on small dollar items. Additionally, the District has an adopted procurement card policy that outlines appropriate use of the card. A master listing of authorized procurement cardholders is maintained by procurement staff.
- The District maintains a website with basic information regarding procurement activities. Information available includes a basic guide to doing business with the district.
- The District conducts extensive outreach with small business enterprises (SBEs) to educate them on the procedures and opportunities for doing businesses with the Santa Clara Valley Water District.
- Overall, the District has achieved above average levels of SBE participation in procurements that exceeds the District's established goals. The greatest level of utilization is consistently achieved in the consultant contracts function.
- All contracts for services or consultants are processed by Procurement and Contracts staff prior to issuance to ensure compliance with District policies.
- The District utilizes electronic proposal submission, processing of proposals, and electronic record retention for consultant services through the existing Contracts Administrative System (CAS) software.
- A single electronic procurement system (PeopleSoft) is utilized throughout the District for procurement activities. Operating Units can utilize this system for limited on-line queries to determine the current status of procurements. Recommendations are made to expand the utilization of this system.
- The District utilizes external reviewers (non-District staff) on many consultant selection review panels. Additionally, all review panel members are required to review and acknowledge understanding and conformance with the District's policies regarding their role in reviewing and making recommendations on consultant selections (including ethical requirements).

These existing strengths provide a solid foundation for the District in implementing additional improvements as outlined in the report.

3. RECOMMENDATIONS CENTER AROUND SEVERAL KEY THEMES FOR THE IMPROVEMENT OF THE PROCUREMENT AND CONTRACTS FUNCTIONS.

In developing recommendations for the improvement of the procurement and contracts management functions, the project team focused on developing recommendations that would move the District toward being a procurement function that is the “best of the best” in public procurement agencies. To achieve this goal, the recommended changes are designed to incorporate and fully implement several characteristics that are found in high-performing procurement functions including the following:

- **Leveraging technology** to automate and streamline the procurement process to increase performance, reduce time required to process, and simplify staff efforts.
- **Predictability** of the procurement process for procurement staff, internal customers (operating units) and external customers (vendors) in terms of the procedures utilized and time for processing purchase or contracting requests.
- **Accurate, reasonable, and understandable procurement procedures** that are easily accessible to the District’s internal and external customers regarding the procedures that are utilized by procurement staff.
- **Consistency** in how procurement procedures are applied throughout the District’s various operating units.
- **Transparency** of the procurement function for potential vendors and consultants regarding opportunities to and requirements for submitting bids and proposals, timely access to information regarding the status of their submissions, and a clear understanding of the selection criteria utilized and the outcome of the solicitation.
- **Educational Materials** for potential vendors and consultants on the District’s website that provide sufficient materials so they can understand the requirements for and opportunities to conduct business with the SCVWD.

- **Highly trained and competent staff** that are focused on providing service to the operating units while maintaining appropriate internal controls and oversight to ensure compliance with adopted policies.

As the District moves forward with implementation, it should maintain a focus on these “guiding principles” and the benefits they will have for the organization when fully implemented. The specific recommendations that have been developed for Santa Clara Valley Water District are outlined in the following section.

4. EXECUTIVE SUMMARY OF RECOMMENDATIONS.

The following table summarizes the recommendations contained in the report and is designed to be utilized as an implementation plan for the organization. Recommendations are grouped in the following manner:

- Recommendations relevant to both PIMU and CSU;
- Recommendations specific to PIMU; and
- Recommendations specific to CSU.

There is a detailed chart at the beginning of Chapter Six that outlines each of the recommendations made in the Macias report and the current status of implementation. A large number of the recommendations contained within that report have been or are in the process of implementation within the District. The following table ~~points~~
 summarizes the major Macias recommendations that have not been fully implemented.

- Implementation of a revised set off procurement policies and procedures;
- Training on the new policies and procedures;
- Training for procurement staff on the PeopleSoft procurement module;
- Development of checklists for use during the procurement process;
- Development of quarterly performance reports regarding major procurement activities;

- Implement periodic meetings between PIMU staff and operating units to improve relationships and address operational issues;
- Eliminate the use of standing orders;
- Implement auditing process to identify and address instances of bid-splitting;
- Improve file keeping and require all documentation regarding a procurement is maintained in a central file;
- Improve use of purchasing module on PeopleSoft to enable additional features to be utilized including: automatic closure dates on purchase orders, encumbrance of funds upon issuance of a purchase order, and utilization of electronic purchase requisitions.

Each of these items that have not been fully completed have been incorporated into the recommendations contained in this report so that the full implementation of the recommendations will not only address the opportunities for improvement identified by the Matrix Consulting Group during the study but also will also address the remaining recommendations from the Macias report.

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Final Report of the Procurement and Contracts Review and Analysis

Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement / Next Steps	Timeframe For Full Implementation	Cost to Implement / (Savings Once Implemented)
General Procurement – Applicable to All Functions						
1	A revised set of procurement policies and procedures should be implemented for the Procurement Function.	High	Yes.	A procurement policy and procedures manual is being developed by the project team as part of this contract. District staff must review and adopt the policies.	1 st Quarter 2010	n/a
2	Policies and procedures should be changed to implement procurement best practices. Key changes in practices include the following:	High	Yes.	Revised policies and procedures drafted that conform to procurement best practices.	1 st Quarter 2010.	n/a
2.1	Implementation of Public Bid Openings.	High	Yes.	Procedures developed provide for this practice.	1 st Quarter 2010.	n/a

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Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement / Next Steps	Timeline For Full Implementation	Cost to Implement / (Savings Once Implemented)
2.2	Implementation of Requirement Contracts rather than standing orders.	High	Yes.	Procedures developed provide for this practice. District Legal Counsel has been consulted.	1 st Quarter 2010.	n/a
2.3	Implementation of a "Notice of Intent to Award" notification in selected procurements (i.e. – where selection is a vendor that is not the apparent low bidder or where a vendor has been deemed non-responsible.	High	Yes.	Procedures developed provide for this practice.	1 st Quarter 2010.	n/a
2.4	Implementation of a standard/s set of terms and conditions and contracts that are utilized consistently during the procurement process. Separate documents should be prepared for PIMU and Contracts.	High	Recommendation made.	District Legal Counsel will need to work with Procurement Staff to develop.	2010	n/a
2.5	Implementation of a formal procurement card auditing program that provides for at least 5% random auditing of p-card transactions.	High	Recommendation made.	Procedures developed provide for this practice. District staff will need to implement program.	2 nd half, 2010.	n/a

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2.6	Checklist outlining small business, locally-owned suppliers, and environmentally preferable vendors were considered.	Medium	Yes.	Procedures developed cover these issues.	2010	n/a
2.7	The authority of the professional procurement staff and the authority of business units should be clarified to delineate appropriate roles and authority levels.	High	Yes.	Procedures developed clearly delineate the role of both parties in the procurement process.	2010	n/a
2.8	All RFPs, RFQs should be issued by PIMU / CSU (or under direction / guidance of the PIMU / CSU Staff). Selected business units will be authorized, following training, to conduct certain procurement functions directly (with oversight from Procurement staff).	High	Partial.	Policies developed provide for this process. Topic will be covered during training of both procurement staff and operating unit staff. District staff will need to ensure this policy is followed.	2010	n/a

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Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement / Next Steps	Timeframe For Full Implementation	Cost to Implement / (Savings Once Implemented)
2.9	The travel policy should be modified to implement additional restrictions regarding reimbursable items and amounts.	Medium	Yes.	Policies drafted will cover appropriate travel expenditures and the role of district procurement staff in reviewing.	2010	n/a
2.10	Staff should be provided with a checklist and training on the information that must be maintained in all procurement files. The PIMU Manager should include an evaluation of the staff's compliance within each annual performance evaluation.	Medium	Yes.	Procedures developed include this checklist. The PIMU Manager should ensure that buyers utilize this form and maintain files appropriately.	2 nd Half, 2010	n/a
3	Training should be provided to procurement staff on new policies and procedures.	High	Yes.	Training will be provided in March 2010 to all Procurement Staff.	1 st Quarter 2010	n/a (already contracted for)

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Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement/ Next Steps	Timeframe For Full Implementation	Cost to Implement / (Savings Once Implemented)
4	Supervisory and management training on the procurement process should include a specific focus on appropriate utilization of sole source, the individual's ethical responsibilities, and the individual liability for violations (including potential disciplinary action).	High	Yes.	Training will be provided in March 2010 to operating unit staff. Topics outlined in the recommendation will be included as part of the training.	1 st Quarter, 2010	n/a (covered under existing contract)
5	Periodic training should be provided by the District for potential vendors regarding how to do business with SCVWD.	High	No.	The District should conduct, at least annually, a training session for interested vendors.	On-going	n/a
7	Performance Measures should be adopted to establish / clarify service expectations between Procurement Staff and the Operating Units.	High	Yes.	Draft performance measures for both PIMU and CSU were developed as part of this contract. District Staff must implement performance measures.	1 st Half 2010	n/a

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Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement / Next Steps	Timeline For Implementation	Cost to Implement / (Savings Once Implemented)
8	Quarterly reports outlining performance against adopted performance measures should be prepared.	High	No.	District Staff must begin collecting data necessary to compile periodic reports on performance. Staff should work with IT to develop standard queries to provide necessary data.	2010	n/a

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Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement / Next Steps	Timeframe For Full Implementation	Cost to Implement / (Savings Once Implemented)
9	<p>The District should make several changes in the duties assigned to procurement staff. These changes include:</p> <ul style="list-style-type: none"> (1) Eliminate the Procurement's staff role in the processing of direct payments by combining with the check request process handled by Accounts Receivable and/or requiring Business Units to electronically submit requisitions for these payments; (2) Having individual Business Units responsible for handling their own travel arrangements and limited the role of procurement staff to a compliance function; (3) more effective utilization of procurement techs to support buyers by handling more of the initial processing of simple procurement actions; and (4) utilization of a single individual to handle insurance files for both PIMU and Contracts. 	High	No.	<p>These changes should be implemented as other recommendations in the report are adopted. The policies and procedures being developed as designed to incorporate these new changes in staff roles and responsibilities.</p>	2010 – 2011	n/a

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Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement / Next Steps	Timeline For Full Implementation	Cost to Implement / (Savings Once Implemented)
10	The Districts "How to do business guide" should be expanded to include additional information regarding the Districts procurement policies and the specific response requirements.	Medium	No.	While a new procurement manual and policies will be provided for District staff, the District should develop a guide specifically targeted at vendors that summarizes key policies and procedures.	2010	n/a (if done with internal staff)
Purchasing and Inventory Management Unit						
11	A checklist should be developed covering all procurement functions that is utilized by buyers during procurement activities.	Medium	Yes.	The procurement manual will contain a draft checklist of procurement functions that buyers should utilize in performing their duties.	2010	n/a

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Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement / Next Steps	Timeframe For Full Implementation	Cost to Implement / (Savings Once Implemented)
12	Procurement evaluation form should be developed for evaluating suppliers.	Medium	Yes.	The project team will provide a sample draft evaluation form as part of the procurement manual.	2010	n/a
13	Regular meetings with operating units should be conducted to discuss operational issues related to procurement, ensure compliance with adopted policies and procedures, and identifying and rectifying problems.	High	No. Recommendation only.	The Deputy Officer should implement at least semi-annual meetings with representatives of the key business units to discuss procurement issues, potential policy changes, etc.	2010	n/a
14	Standing order use should be eliminated (greatly reduced) and replaced with term contracts specifying pricing.	High	Yes.	Procedures developed provide for this practice.	2010	n/a
15	Buyers should be assigned to specific operating units to enhance customer service.	High	No.	PIMU Manager will need to assign specific buyers to individual operating units.	1 st Half, 2010	n/a

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Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement / Next Steps	Timeframe For Full Implementation	Cost to Implement / (Savings Once Implemented)
16	Periodic audits should be conducted to identify potential bid splitting. This should be conducted at least annually as part of the spend analysis.	High	No.	Project team recommended implementation of this program. District staff will need to assign responsibility to staff to conduct.	2010	n/a
17	The District should conduct, at least annually, a formal spend analysis including procurements handled on purchase orders, credit cards and direct payments to identify opportunities for enhancing procurement sourcing efforts.	High	No.	Project team recommended implementation of this program. District staff will need to assign responsibility to staff to conduct.	Annually	n/a

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Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement / Next Steps	Timeframe For Full Implementation	Cost to Implement / (Savings Once Implemented)
18	<p>The District should make several changes to its use of technology to enhance service levels and simplify staff work effort.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> - Implementation of e-procurement module; - Electronic purchase requisitions; - Electronic receiving; - Development of changes to the procurement module or the development of standard reports to enhance internal controls and "flag" potential violations of the Districts procurement policies. - Implementing automatic purchase order closure dates; and - Automatic encumbrances. 	High	No.	<p>District will need to fund this effort in order to implement recommendations.</p>	2011	\$100,000
19	<p>Additional training should be provided to procurement staff on the use of the PeopleSoft Module following the implementation of the e-procurement module (allowing for utilization of electronic purchase requisitions and electronic receiving).</p>	Medium	No.	<p>The District will need to fund this training following implementation of the additional functions of the procurement module.</p>	2011	\$5,000

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Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement / Next Steps	Timeframe For Full Implementation	Cost to Implement / (Savings Once Implemented)
Contract Services Unit						
20	Consultant board makeup should only include external representatives on projects in excess of \$1,000,000, where technical expertise is determined to be necessary, or where otherwise deemed appropriate by staff.	High	Yes.	District staff is implementing administrative changes following Board presentation in November 2009 that provide for one external representative on contracts over \$100,000 and 2 external representatives above \$250,000.	Immediately	n/a
21	Training should be provided to all District staff prior to serving on a review panel.	High	Recommendation Made.	District staff will need to provide training to all District staff prior to their serving on a review panel.	1 st Quarter, 2010	n/a

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Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement/ Next Steps	Timeframe For Full Implementation	Cost to Implement / (Savings Once Implemented)
22	All members of review panels should be required to sign conflict of interest statements and understand permitted and prohibited actions.	High	Yes.	Procedures being developed require this sign off. District must adopt policy.	1 st Quarter, 2010	n/a
23	All responses to RFPs, RFQs, and RFIs, should require vendors to indicate if they have previously been debarred or had a contract cancelled due to non-performance. Additionally, they should be required to note any prior work conducted with SCVWD.	High	Recommendation made.	District must include this requirement in new contract RFP, RFQ templates.	2010	n/a
24	As part of the reference checking and evaluation process, all vendors with prior experience working with the District should be evaluated based upon their prior performance.	High	Recommendation made.	Procedures being developed require this sign off. District must adopt policy. District staff must ensure this is conducted.	2010	n/a

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Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement / Next Steps	Timeline For Full Implementation	Cost to Implement / (Savings Once Implemented)
25	The use of pre-qualified lists should be significantly reduced and be conducted only for those areas where it is expected that at least 5 contacts would be awarded over a two year period.	High	Recommendation Made.	District staff is implementing administrative changes to implement following Board presentation in November 2009.	Immediately	n/a
26	Where pre-qualified lists are maintained, the District should implement a rolling-review to enable qualified vendors to enter the list at any point.	High	Yes.	Policies being developed will incorporate this practice.	2010	n/a
27	Existing pre-qualified lists should be maintained until they expire.	Medium	Recommendation made.	District staff is implementing administrative changes to implement following Board presentation in November 2009.	n/a	n/a

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Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement/ Next Steps	Timeframe For Full Implementation	Cost to Implement / (Savings Once Implemented)
28	The District should modify the procurement / contracts section of their website to enable SBEs to self-register for a SBE listing that would be available to prime consultants / contractors for use in identifying potential subs / joint partners.	High	Recommendation made.	District will need to make website changes.	2010	\$25,000
29	The District should eliminate the use of required pre-proposal submission meetings except in contracts in excess of \$1 million, where a "walk-through" or site visit is necessary, or where the project is highly technical in nature.	High	Yes.	Policies being developed will incorporate this practice.	1 st half, 2010	n/a
30	The District should continue outreach efforts conducted relative to SBEs (and LBEs) to maintain utilization levels and to provide sufficient information regarding District procurement processes and practices and potential procurement / contracting opportunities.	High	Recommendation made.	District should develop an annual plan of outreach efforts.	On-going	n/a

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Recommendation #	Recommendation	Priority	Completed as Part of this Contract	Action Needed to Fully Implement / Next Steps	Timeline For Full Implementation	Cost to Implement / (Savings Once Implemented)
31	All district staff involved in procurement decisions, specifically those involved in proposal review, evaluation and vendor / consultant selection should attend required training and sign conflict of interest statements.	High	Recommendation made.	Policies will include this requirement. District staff must ensure policy is followed.	1 st Half, 2010	n/a
32	Reports should be generated at least quarterly showing the status of all contracts entered into by the District on both a schedule and budget basis detailing those contracts that have required budget amendments (indicating percentage change) and those contracts with schedule adjustments.	Medium	Recommendation Made.	District staff to develop and implement report.	2 nd Half, 2010	n/a
33	Additional training should be offered on the utilization of the CAS system for vendors.	Medium	No.	CSU staff should develop and schedule training sessions for vendors.	2010	n/a

The following chapters provide additional detail regarding the work activities undertaken, the information gathered, and the recommendations listed above.

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2. DESCRIPTIVE PROFILE

2. DESCRIPTIVE PROFILE

This chapter presents a descriptive profile of the Santa Clara Valley Water District procurement functions conducted by the Procurement and Inventory Unit and the Contracts Management Unit. The purpose of the Descriptive Profile is to document the project team's understanding of the organization, staffing, and assigned responsibilities for the staff assigned to these functions. Data contained in the profile was developed based on the work conducted by the project team, including:

- Interviews with key District staff, including the all assigned staff.
- Collection of various data describing the organization and staffing, workload and service levels.
- Documentation of key practices as they relate to work planning and scheduling, policies and procedures, as well as work processes.

The Descriptive Profile does not attempt to cover all organizational and operational aspects of the Procurement and Contract functions but focuses on the major functional areas, policies and procedures, and operating practices.. In this chapter, the structure of this Descriptive Profile is as follows:

- Background information about the Santa Clara Valley Water District procurement function.
- Organizational chart of the Department and key functions showing all staff positions by function and position reporting relationships.
- Summary descriptions of key roles and responsibilities of staff. The responsibility descriptions provided in the Descriptive Profile also summarize the team's understanding of the major programs and service activities to which staff in the Division are currently assigned. It should be noted that the roles and responsibility summaries are not intended to be at the "job description" level of detail. Rather, the descriptions are intended to provide the basic nature of each unit and assigned positions including staffing levels and work schedules, program targets and service descriptions.

The following sections describe our current understanding of the SCVWD Procurement and Contracts units by key function and position.

1. INTRODUCTION.

The Santa Clara Valley Water District has a generally centralized procurement and contracts management function. These functions are responsible for the procurement of the majority of District goods, services, and professional consultants. Public Works projects and consultants are handled by a separate unit within the District with little involvement from the Procurement and Contracts units. Additionally, operating units are also involved in the direct sourcing of some good and services and the issuance of some RFP.

The Procurement and Contracts functions for the Santa Clara Valley Water District are divided into two main units as follow:

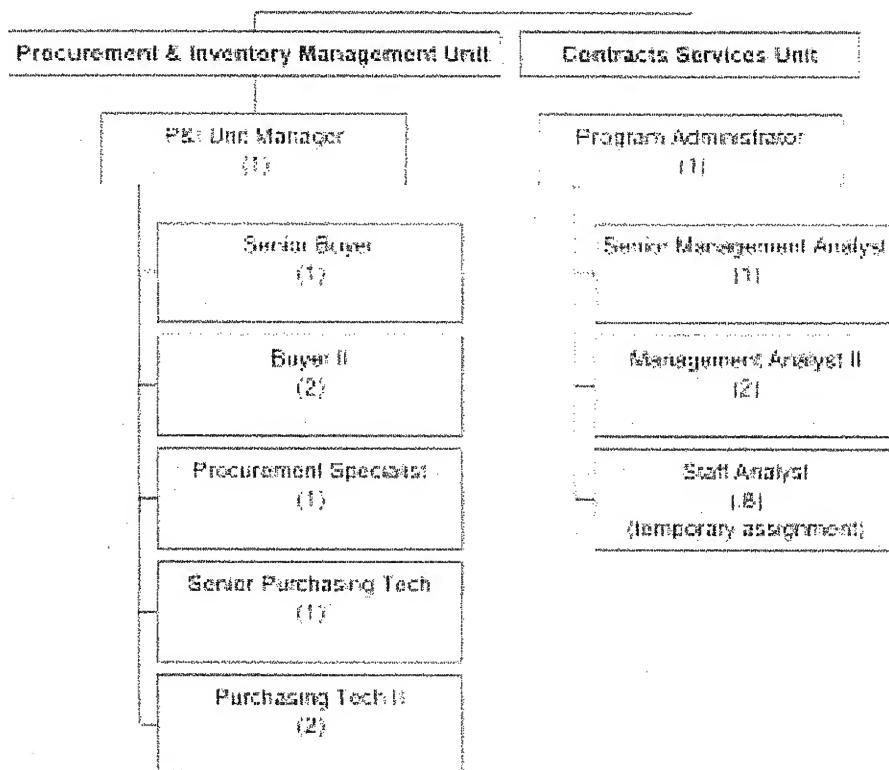
- **Procurement and Inventory Management Unit (PIMU):** Responsible for the procurement of goods, services, and materials on behalf of the SCVWD and the operating units. Issues all purchase orders, processes requisitions, direct payments, credit card program, and travel arrangements for SCVWD staff.
- **Contracts Services Unit (CS):** Handles all contracting for all consultant contracts for the District including issuance of RFP, coordinating review of submissions and evaluations of proposals, negotiation of contracts, and contract monitoring and problem resolution.

2. CURRENT ORGANIZATION.

The following organizational chart shows the current staffing allocations for the Procurement and Contracts Unit.

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Santa Clara Valley Water District
Procurement and Contracts Unit



3. STAFFING LEVELS.

The following table summarizes the currently authorized full-time positions within the Procurement and Contracts Unit as currently staffed.

CURRENT POSITIONS:	2009
Procurement and Inventory Management Unit	
Procurement & Inventory Mgmt Unit Manager	1.0
Senior Buyer	1.0
Buyer II	1.0
Buyer I	1.0
Senior Purchasing Tech	1.0
Purchasing Tech	1.0
Procurement Specialist	1.0
Subtotal	7.0
Contracts Services Unit	
Senior Management Analyst	1.0
Program Administrator	.1.0
Management Analyst II	2.0
Subtotal	4.0
TOTAL	11.0

Salary Ranges for Procurement and Contracts Positions

Job Title	Pay Range	Annual Step 1	Annual Step 5	Annual Step 7
Procurement and Inventory Management Unit				
Procurement & Inventory Mgmt Unit Manager	164	\$104,644.80	\$127,524.80	\$133,952.00
Senior Buyer	153	\$78,998.40	\$96,262.40	\$101,129.60
Buyer II	148	\$69,846.40	\$85,092.80	\$89,377.60
Buyer I	144	\$63,273.60	\$77,084.80	\$80,995.20
Senior Purchasing Tech	145	\$64,854.40	\$78,998.40	\$82,992.00
Purchasing Tech	137	\$53,227.20	\$64,854.40	\$68,140.80
Procurement Specialist	145	\$64,854.40	\$78,998.40	\$82,992.00
Contracts Services Unit				
Program Administrator	159	\$91,624.00	\$111,633.60	\$117,291.20
Senior Management Analyst	158	\$89,377.60	\$108,908.80	\$114,420.80
Management Analyst II	155	\$82,992.00	\$101,129.60	\$106,246.40

4. ROLES AND RESPONSIBILITIES.

The following section presents a summary of the roles and responsibilities of each position within the Procurement and Contracts unit. This list of responsibilities is not intended to be all-inclusive but to reflect the principal and major duties associated with the position.

Position	Number of Positions	Key Roles and Responsibilities
Procurement & Inventory Management Unit		
P&I Unit Manager	1.0	<ul style="list-style-type: none"> Filled on acting basis at this point in time. Oversees the Procurement and Inventory functions for SCVWD. Manages assigned staff including work assignments, performance evaluation, and problem resolution. Resolves procurement and purchasing issues and provides direction to staff. Interprets and applies procurement policies as necessary and provides guidance to operating units on methods of compliance. Sets operating procedures for Procurement and Inventory functions. Oversees warehouse function.

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Position	Number of Positions	Key Roles and Responsibilities
Senior Buyer	1.0	<ul style="list-style-type: none"> • Reports to Unit Manager. • Handles more complex / higher value procurements including reviewing requisition, sourcing procurements, soliciting and verifying quotes / bids, evaluating responses, and choosing appropriate vendor for procurement. • Processes RFPs for various services including working with operating units on scope of work, solicitation and evaluation of responses, and selection of provider. • Maintains Direct Pay log (with assistance from Technician). • Works with customers, resolves procurement issues, coordinates with Legal as necessary in reviewing terms and conditions. • Conducts living wage audits on a quarterly basis for a various services including landscaping, security, janitorial. • Train staff on changes to policies, procedures. • Serves as a team member on various special projects. • Develops and drafts policies and procedures. • Assists Operating units in understanding requirements contained in policies and procedures. • Works with Operating Units in resolving procurement issues. • Utilizes CAS system for service contracts processing / maintenance.
Buyer II	2.0	<ul style="list-style-type: none"> • Reports to Unit Manager. • Responsible for processing assigned purchase requisitions into purchase orders including soliciting / verifying received quotes, sourcing procurements, and evaluating best value for District. • Puts together RFP packages including reviewing scope of work, terms and conditions, and general instructions. Evaluates responses and submissions. • Responsible for all temporary employee bidding and payroll. • Enters purchase orders into PeopleSoft once purchase requisition processed, sourced, and priced (supported by Purchasing Technicians). Handle / process all changes to purchase orders generated. • Handle and resolve purchase order discrepancies (i.e. – account coding, quantities, shipping charges). • Maintains assigned standing orders (i.e. – Water Service, Home Depot, Supply Houses, specialty services).

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Position	Number of Positions	Key Roles and Responsibilities
Senior Purchasing Technician	1.0	<ul style="list-style-type: none"> • Reports to Unit Manager. • Oversees the Districts travel coordination, planning and reimbursements for all District travel. • Answers questions, provides guidance, and policy interpretations for all questions regarding District travel policy. • Assigns approved travel number to travel requests. Approval number required for reimbursements to be completed. • Provides copies of approved travel forms to Training, employee, procurement file. • May assist employees in making travel plans including hotels, vehicle rentals, and payments for conference/meeting registrations. • Provides some backup assistance to Buyers in processing purchasing requisitions and generating purchase orders when workload dictates (approximately 5% of her time spent assisting with backup). • Maintains excel spreadsheet of travel to provide quarterly report to Board, CEO, and CAO.
Purchasing Technician II	1.0	<ul style="list-style-type: none"> • Reports to Unit Manager. • Serves as expeditor once buyers place orders. • Maintains "tub file" – follows up on status of items, whether items received, etc. • Changes delivery dates, service agreement dates as necessary in PeopleSoft when approved. • Maintains status log of service agreements. • Closes purchase orders in PeopleSoft once order receiving, invoiced, matched and paid. • Matches invoices, packing slips, receiving copy of P.O. and provides to accounts payable for payment. • Provides limited backup to buyers on Purchase Order generation if directed. • Conducts customer service including researching payment histories, resolving discrepancies, etc. Works with warehouse on receipting issues. • Routes invoices to Operating Units to approve payment, enter account code and send back for processing for all standing agreement purchases. • Maintains master standing order listing. • Conducts file maintenance including purchase order/requisition files, year end archiving, ensures records maintained in accordance with record retention policy.

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Position	Number of Positions	Key Roles and Responsibilities
Purchasing Technician II	1.0	<ul style="list-style-type: none"> • Supports buyers – purchase order processing. • Enter purchase requisitions from buyers into PeopleSoft to create P.O. • Backup to buyers – as needed – not assigned to specific buyer. • All purchase orders sent to her for entry into PeopleSoft. • Distributes purchase requests to buyers and files and distributes completed requests. • Assists buyers with RFP packaging and distribution. • Conducts informal buying for credit card purchases under \$2,500 mainly in the areas of books, memberships, and online purchases. • Serves as backup to Senior Purchasing Technician for travel processing. • Provides backup for direct payments.
Purchasing Technician II	1.0	<ul style="list-style-type: none"> • Reports to Unit Manager • Handles purchases under \$2,500 under direction of buyers. • Maintains spreadsheet of direct payments and processes direct payments by entering into Quest system and sending to Accounts Payable for processing. • Processes and routes invoices to be paid against purchase orders. • Sets up direct payments and credit card payments. • Manages Staples Office supply contract. • Assists Senior Buyer with research, order placement and data for reports. • Backup support for Travel function.
Procurement Specialist	1.0	<ul style="list-style-type: none"> • Reports to Unit Manager. • Handles surplus property process for disposal. • Coordinates and processes DMV registrations. • Purchases good and services under \$2,500. • Serves as primary buyer for Warehouse Inventory. Receives electronic purchase requests and processes to place order. • Assists Senior Buyer on green initiative and policy and procedure development. • Assists Senior Buyer with SBE outreach. • Uses Quest system (in-house developed database) for tracking dates on receipt and processing of purchase requisitions. • Involved in development of intranet site and Quest (database for purchase requisition) implementation and development.

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Position	Number of Positions	Key Roles and Responsibilities
Contracts Services Unit		
Program Administrator	1.0	<ul style="list-style-type: none"> • Working manager of Contracts Unit. • Supervises assigned staff including work assignments, performance evaluation, direction of work, etc. • Manages all consultant contracts including receiving request for services, assigning to Sr. Management Analyst or Management Analysts. • Currently handles approximately 50% of all consulting contract processing directly. • Conducts procurement process for consultant contracts including evaluating responses, negotiating contracts and pricing, and finalizing agreements. • Reviews all documents prior to finalization if process handled by subordinates. • Responds to requests for information from Board regarding consulting contracts (including informational requests on SBE utilization, process compliance, outreach efforts, etc.). • Resolves disputes on contract performance including scope of work performance, payment issues, and terms and conditions issues. • Oversees pre-qualified list development (RFQs) for a variety of services. Monitors efforts of assigned Analyst in developing lists. • Reviews and verifies that all required information is maintained in files for consultant contracts. • Assists with development of policies and procedures including recent redraft of EL-5 (Administrative Bulletin on non-competitive procurements). • Assists with identification of SBE vendors available for use by prime contractors. Conducts various outreach efforts including vendor fair, email outreach, and clarification of SBE requirements for SBEs and other vendors. • Conducts all major contract resolution processes including arbitration (when required) to resolve disputes between vendors and District.

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Position	Number of Positions	Key Roles and Responsibilities
Senior Management Analyst	1.0	<ul style="list-style-type: none"> • Reports to Program Administrator. • Assigned to handle consultant selection process on assigned contracts including handling RFP process, evaluating responses, verification of submissions, and coordinating selection process. • Works with Organizational Units in working through consultant selection process including defining scope of work, terms and conditions, and RFQ process to meet the Operating Units needs and timeframes. • Core functions include: completion of assigned consultant recruitments within established timeframes, completing high priority consultant recruitments on accelerated timeframes, providing contract execution support (including completing amendments), and providing support on miscellaneous agreements (grants, MOUs, utility agreements, etc.). • Addressing issues raised by Board Members including: responding to BMRs / IBMRs, researching and addressing board concerns / inquiries regarding specific contracts; and concerns related to the consultant selection process (i.e. - panel compositions, past performance, SBE participation, local business outreach).
Management Analyst II	1.0	<ul style="list-style-type: none"> • Reports to Program Administrator. • Handles small business and local business tracking and reporting. • Serves as primary data analyst for unit as needed. • Assistant project managers, as needed, in managing contracts. • Supports District Staff and external consultants with SBE participation identification and policy. • Handles RFQ process including establishing lists, maintaining pre-qualified listings for various disciplines (including Geotechnical, Civil, Structural, Management Consulting, SCADA, electrical, etc.). • Assists with policy / procedure development. • Generates various reports / data as necessary to respond to Board requests. • Maintains internal negotiating guidebook as a project manager tool showing 5-year history of consultant pricing.

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Position	Number of Positions	Key Roles and Responsibilities
Management Analyst II	1.0	<ul style="list-style-type: none"> • Reports to Program Administrator. • Assists with consultant contract processing. • Assists vendors and potential vendors with utilization of Contracts Administration System (CAS). • Assists with RFP development, receiving submissions, creating spreadsheet of proposal responses, verification of small business eligibility, and selection of consultant process. • Assists with drafting of agreements using standards agreement as base with tailored Appendix 1 (Scope of Work, schedule, payment terms). • Assists with preparation of "red" folder for board agenda including board memo (assist department in drafting if necessary), getting memo approved internally, gathering required attachments (1-9, insurance, funding authorization). • Develops and issues notice to proceed letters and execution of contracts. • Serves as staff to CAS helpline for answering questions regarding use of system and submission of proposals. • Handles certificate of insurance files. Upload certificates to CAS. • Processes contract amendments. • Handle legacy contracts that are processes outside of CAS system. • Maintain CAS system and coordinates with external vendor on changes. • Enters users (internal and external) into CAS for review panel members. • Conducts special projects as assigned. • Assists with website maintenance for contracts unit.
Staff Analyst (temporary)	.8	<ul style="list-style-type: none"> • Reports to Program Administrator. • Temporarily assigned position to Contracts Unit. • Assists with processing of "yellow" (joint use/ MOUs) and "red" (Consulting Contracts) folders for Contract unit. • Archives closed contracts including ensuring all documents compiled, boxed, and placed in storage. • Assists with maintenance of insurance certificates. Scans and uploads into CAS system after verification of compliance. • Assists Management Analysts with amendment processing. • Reviews contracts / agreements to ensure all required documents are present, necessary signatures have been obtained, and develops award letter and distributes signed contracts. • Assists with answering questions received from vendors regarding utilization of CAS.

5. EXISTING TECHNOLOGY AND SOFTWARE SYSTEMS.

The Santa Clara Valley Water District procurement and contracts functions are generally supported by three systems as outlined in the table below:

Software System	Description of Use
People Soft	<p>Enterprise-wide software system in use within the District for financial functions. The Procurement function utilizes this system for the processing of all purchase orders. This system is not utilized for electronic purchase requisitions (except for Warehouse Inventory) or for contract management functions.</p> <p>All payments are processes through People Soft by the Accounts Payable function.</p> <p>There are several modules / features of the PeopleSoft procurement function that are not fully utilized by the District at this point. The most notable include some reporting features, and the full implementation of electronic purchase requisitions.</p>
Contract Administration System (CAS)	<p>Specially designed software that was developed / tailored specifically for use by the District to handle the contracts management function. Utilized to manage vendor database, SBE vendors, receiving and processing consultant responses to RFPs/RFQs (uploaded directly by consultants), and managing internal processes (such as evaluation of responses, insurance certifications, contract management, etc).</p>
QUEST Database	<p>Database developed specifically for the tracking, assigning and monitoring of purchase requisitions. Entry is made into the system when a purchase requisition is received, which buyer the requisition is assigned to, and the completion of processing (when purchase order issued in PeopleSoft).</p>

There is limited to no integration of the three software systems for workflow or data exchange.

6. KEY POLICIES GOVERNING / IMPACTING THE PROCUREMENT PROCESS.

There are several key policies and procedures in place that provide guidance, direction and authorization regarding the procurement activities of the Santa Clara Valley Water District. The most significant are EL-3 and EL-5 which are summarized in the following table listing the most applicable sections for procurement and the applicable CEO Interpretations.

Policy	Summary / Key Provisions
EL-3	<p>With respect to the treatment of staff and persons doing work for or on behalf of the District, the BAOs may not cause or allow conditions which are unfair, undefined, disorganized, or unclear.</p> <p>Further, without limiting the scope of the foregoing by this enumeration, a BAO shall not:</p> <p>...</p> <p>3.11. Allow consultant service agreements to be used if work can be accomplished at the necessary skill level by available in-house staff without jeopardizing other District priorities.</p>
EL-5	<p>With respect to the actual, ongoing financial condition and activities, the BAOs shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from Board priorities established in Ends policies.</p> <p>Further, without limiting the scope of the foregoing by this enumeration, a BAO shall not:</p> <p>5.1. Expend more funds than have been received in the budget period to date unless specifically appropriated from designated reserves, funds available from the proceeds of authorized long-term debt or incurred short-term debt.</p> <p>5.2. Make a single purchase, contract, 3rd party claim settlement of liability, or any other financial commitment in amounts greater than the following, unless authorized by the Board: <i>See CEO Interpretation</i></p> <p>5.2.1. For Construction Contracts—\$25,000.</p> <p>5.2.2. For Consultant Service Contracts—\$100,000. In addition, for financial services contracts, the term of the contract shall not exceed (3) fiscal year periods subject to audit and the contract shall not be awarded to the same auditing firm for consecutive terms.</p> <p>5.2.3. For any other services, supplies and equipment, and other financial commitments—The amount specified in the Board-approved annual District budget project plan for those services, supplies,</p>

	<p>equipment, and other financial commitments.</p> <p>5.2.4. For Settlement of 3rd Party Claims —\$50,000.</p> <p>5.2.5. For Legal Services — No limit, so long as District Counsel informs the Board immediately for the retention of outside counsel and the necessity therefore, pursuant to EL- 9.11. IV - 9</p> <p>5.2.6. For Imported Water Management Contracts—No limit; the CEO will inform the Board on a timely basis of Imported Water Management Contracts executed.</p> <p>5.3. Make a single purchase, contract, or any other financial commitment without a competitive procurement process, unless authorized by the Board or one of the following exemptions is applicable:</p> <p>5.3.1. Financial commitments less than or equal to \$2,500 (From 5.2.3)</p> <p>5.3.2. Leases for District occupied facilities or payments for miscellaneous facility services, such as telephone, electricity, gas, and water, where rates or prices are fixed by legislation or by federal, state, county or municipal regulations.</p> <p>5.3.3. Financial commitments resulting from an agreement with a governmental agency, including cost-sharing agreements, and grant matching fund commitments.</p> <p>5.3.4. Payments required by statute, regulation or ordinance.</p> <p>5.3.5. Rebates and refunds made pursuant to District water conservation rebate and refund programs.</p> <p>5.3.6. Financial commitments resulting from imported water management agreements, so long as the CEO informs the Board of the commitment on a timely basis.</p> <p>5.3.7. Financial commitments resulting from the purchase of services, supplies, and equipment that are essential to promptly attend to an emergency as defined in Public Contract Code Section 1102.</p> <p>5.3.8. Payments to public utilities to relocate or install their utilities made necessary by District public work projects.</p> <p>5.3.9. Payments for legal services, so long as District Counsel informs the Board immediately for the retention of outside counsel and the necessity for such retention of outside counsel, pursuant to EL-9.11.</p> <p>5.3.10. Procurements of education services from non-profit institutions such as public schools or universities. IV - 10</p> <p>5.3.11. Procurements less than or equal to \$25,000 if, within the period of 1 month, advertising or posting for identical services, supplies, and equipment have failed to secure responsive proposals and, in the opinion of the BAO or BAO's procurement designee, further advertising or posting will not alter this result.</p> <p>5.3.12. Procurements less than or equal to \$25,000 or consultant services contracts less than or equal to \$100,000, so long as documented justification for the non-competitive procurement satisfies the standard specified in Executive Limitation 5.3.12.1 or 5.3.12.2, and such documented justification is submitted for review to the BAO or BAO's procurement designee, and is approved.</p> <p>5.3.12.1. The best interest of the District cannot be served through a competitive procurement because only one firm exists that can provide the service, supply, or equipment, and there is not an available equivalent to meet the District's minimum needs. (sole-source)</p>
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	<p>5.3.12.2. The District's need for the service, supply, or equipment is of such an unusual and compelling urgency that the District would suffer substantial harm, unless it is permitted to acquire the service, supply, or equipment on a non-competitive basis. (single-source).</p> <p>5.4. Spend extravagantly, inefficiently, or in ways more costly than necessary. <i>See CEO Interpretation</i></p> <p>5.5. Operate without written purchasing policies and procedures that address normally prudent protections assuring legal and fiscal compliance against such items as non-competitive acquisition practices, conflict of interest, favoritism, and non-inclusive vendor policies. <i>See BAO Interpretation</i></p> <p>5.6. Allow the District to enter into a consultant agreement without considering the consultant's past performance history with the District.</p> <p>5.7. Allow the splitting of orders to avoid the limits set forth in Executive Limitation 5.2.1 through 5.2.3; 5.3.1; 5.3.11 through 5.3.13</p> <p>....</p> <p>5.20 Fail to enact procurement policies that support environmental stewardship to include extended producer responsibility and the reduction of hazardous and solid waste generation.</p> <p>5.21 Fail to evaluate support of, and/or participate in public and/or private collaborations, multi-jurisdictional arrangements, and legislative strategies that support extended producer responsibility in a cost-effective way.</p> <p>5.22 Fail to provide access to opportunities for small and local businesses in providing services to the District.</p>
CEO Interpretations:	<p>Further, without limiting the scope of the foregoing by this enumeration, a BAO shall not:</p> <p>Make a single purchase, contract 3rd party claim settlement of liability, or commitment in amounts greater than the following, unless authorized by the Board:</p> <p>5.2.1 For Construction Contracts - \$25,000.</p> <p>5.2.2 For Consultant Service Contracts - \$100,000.</p> <p>5.2.3 For all other Services, Supplies and Equipment – No limit, except that Board approval will be required when goods or services in excess of \$2,500 are not to be competitively bid or a sole-source vendor availability is determined. Splitting orders to avoid these limits is not acceptable.</p> <p>5.2.4 For 3rd party claim settlements of liability - \$50,000.</p> <p>5.2.5 For Legal Services Agreements—no limit, so long as District Counsel informs the Board immediately of the retention of outside counsel and the necessity therefore, pursuant to Executive Limitation 9.11.</p> <p><i>CEO Interpretation:</i></p> <ul style="list-style-type: none"> Once a purchase, contract or commitment crosses the dollar limit set by the Board, any additional cost above the Board approved amount for the product or service requires Board approval, regardless of the mechanism used to expend the funds.

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	<ul style="list-style-type: none">• <i>Supplementing Board approved expenditures through other means such as District forces, purchase orders, contracts, etc. requires Board approval.</i>• <i>Reducing the Board approved product or service, in order to stay within the Board approved amount, is not acceptable.</i>
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Board notification of non-compliance with EL-5 is required for all existing purchases, contracts or commitments that are subject to this interpretation.

5.5 Operate without written purchasing policies and procedures that address normally prudent protections assuring legal and fiscal compliance against such items as non-competitive acquisition practices, conflict of interest, favoritism, and non-inclusive vendor policies.

BAO Interpretation:

The Clerk of the Board and District Counsel will utilize the written purchasing policies and procedures developed by the CEO for the entire organization, except as to procurement of legal services, for which the District Counsel will establish and utilize written procurement policies and procedures.

3. DIAGNOSTIC ASSESSMENT

3. DIAGNOSTIC ASSESSMENT OF PROCUREMENT AND CONTRACT FUNCTIONS

While the study of the procurement policy and compliance review services is designed to provide a comprehensive analysis, this chapter summarizes the current practices of the Santa Clara Valley Water District's operating practices relative to the procurement and contracts functions. In order to make the assessments of operational strengths and improvement opportunities, the project team developed a set of performance measures that we call "best management practices" against which to evaluate these processes. These performance measures comprise the main thrust of this diagnostic assessment.

The measures utilized have been derived from the project team's collective experience and represent the following ways to identify departmental strengths as well as improvement opportunities:

- Statements of "effective practices" based on the study team's experience in evaluating operations in progressive procurement operations and / or "industry standards" from research organizations.
- Identification of whether and how the procurement practices in place at the Santa Clara Valley Water District meets the performance targets.

The purpose of the diagnostic assessment was to develop an overall assessment of the procurement policies and practices.

Performance Target	Strengths	Potential Improvements / Action Needed
POLICIES AND PROCEDURES		
A comprehensive procurement policy has been developed and distributed to all staff outlining required practices in procuring goods, services, and construction services.	Board policies and executive limitations provide general framework for procurement practices.	The District does not have a comprehensive procurement manual. One is being developed as part of this assessment effort.
The procurement policy has been reviewed and revised within the last two years.	Board policies (and associated and executive limitations) have been recently revised.	Manual will link specific policies in the procurement manual to the Board Policy. Policies will be reviewed at least once every two years to determine if changes are necessary.
The procurement policy outlines procurement authority levels by position title with increasing levels of authority based upon position level.	Procurement authority is delineated in existing procedures.	The policies and administration of policies is not clear on the separation of duties between operating units and procurement staff. The procedures being developed will clearly identify authority levels for procurement staff and operating units.
The procurement policy contains an ethics section governing staff and vendor actions.	The District has basic ethics issues covered in policies.	Additional language should be added to the new procurement policies being drafted and specifically those involved in the evaluation and selection of vendors, consultants, contractors should have additional training and sign conflict of interest statements. This issue will be resolved with the adoption of the new procurement manual.

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Performance Target	Strengths	Potential Improvements / Action Needed
A sole source policy has been developed and/or reviewed within the last three years.	The District has an extensive sole source policy with numerous exemptions. This policy has been revised within the last three years. Signatures of approval are required at various levels to approve these purchases.	
All departments are required to follow the District's approval for sole source contracts.	The policy clearly addresses the approval process that must be followed.	
There is a clear policy in place for addressing violations of the sole source contract policy, including disciplinary actions.	The policy clearly outlines what types of purchases are appropriate to be handled as sole-source. Violations can be handled through existing processes.	<p>Additional training should be provided to supervisors, managers, and others regarding the consequences and liability associated with violations.</p> <p>The training being developed as Task 4 of this procurement review will include a section discussing supervisory responsibilities.</p>
The sole source policy outlines the acceptable reasons for utilizing a sole source purchasing arrangement.	The reasons are clearly outlined. No additional changes to the policy are recommended.	
There is a standard form utilized by departments for requesting sole source contract approval.	A standard form is utilized for all sole source approvals.	
All sole source purchases are reviewed by Procurement staff and approved prior to entering into a purchase agreement and a master database / report of all sole source purchases is maintained.	<p>Sole source approvals must be approved by Procurement Management staff.</p> <p>A comprehensive listing of all sole source purchases is maintained by the Deputy Administrative Officer's support staff.</p>	

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Performance Target	Strengths	Potential Improvements / Action Needed
<p>The sole source contract justification form asks for sufficient detail for Procurement Services Division to make an assessment of the justification. Questions are asked such as:</p> <ul style="list-style-type: none"> • How did you arrive at the conclusion this item represents your minimum need or requirement? Is this a "nice to have" with all the "bells and whistles" or does it really represent your requirement or minimum need? • How did you determine availability? Did you check on prior procurements for the same or similar items? • Are there other sources? Are they responsible? Are identical or compatible parts or equipment available from any other source? • Who prepared the specification or statement of work? Did a vendor or contractor assist? If so, will they benefit somehow by the decision to proceed with a sole source contract? 	<p>The form requires sufficient detail for approving entities to understand the rationale for the sole source request.</p>	
<p>Departments provide research and backup documentation in writing justifying sole sourcing (e.g., letters from manufacturers about local distributors, solicitation of quotes from vendors, systems integration requirements, etc.).</p>	<p>Appropriate documentation is requested of requestors prior to approval.</p>	<p>Training on the entire sole source process should remain a priority to ensure that operating units clearly understand rationale, process, and purpose of the policy.</p>
<p>Efforts are undertaken to ensure that competitive pricing is achieved from all vendors approved as sole source (i.e. – review of pricing provided to other entities, negotiation with vendor, applicable discounts provided, etc.).</p>	<p>Appropriate negotiation of price is sought even on sole source purchases.</p>	

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Performance Target	Strengths	Potential Improvements / Action Needed
A written appeal procedure is in place for non-selected vendors.	Non-selected vendors may contact District staff to discuss the selection process and understand the rationale utilized in making the selection.	<p>The District should implement a formal "Notice of Intent to Award" process to all selections involving anticipated awards that meet one of two criteria: (1) award to other than the low bidder; and (2) award where a respondent has been deemed non-responsive.</p> <p>The procedure for implementing this process will be included within the Procurement Manual.</p>
A policy is in place requiring periodic vendor evaluation and outlines criteria for designating a vendor as approved / disapproved regarding eligibility for continued business with the District.		<p>No current vendor / contractor / consultant evaluation system is in place.</p> <p>It is recommended that the District include as a component of the evaluation conducted on proposals that vendor performance be assessed as part of the reference checking process rather than through the implementation of a vendor evaluation system.</p>
<p>Contracts entered into by District staff are either:</p> <ul style="list-style-type: none"> • Reviewed prior to signing by District legal staff; or • Within procedure guidelines where legal review is not conducted, based upon contract templates having received prior University legal approval. 	<p>The PIMU procurement staff have access to legal counsel for review of contracts prior to execution. Some standard terms and conditions are utilized.</p> <p>All consulting contracts currently require District Counsel's review and approval prior to execution.</p>	<p>Additional opportunities exist to standardize the legal contracts utilized to simplify and standardize the process and contracts administered.</p> <p>Procurement staff should work with District Council in Phase II to develop and adopt standards contract language, forms and terms and conditions for use by all procurement staff.</p>
The use of procurement cards is based upon a defined policy and procedure adopted by the District.	The District has a policy on use of procurement cards.	

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Performance Target	Strengths	Potential Improvements / Action Needed
Procurement maintains a master listing of authorized purchasers for each department with designated authority level.	The District has a master listing of authorized purchasers who have been assigned a District credit card.	
Utilization of p-cards is well defined regarding the types and number of services that may be paid for through the p-cards.	The policy provides clear direction regarding the appropriate use of p-cards.	
Appropriate procurement processes are utilized to achieve competitive pricing on service contracts not requiring formal bidding / RFPs.	<p>The District has in place appropriate processes to ensure competitive pricing is achieved on procurements that are not subject to formal bidding.</p>	<p>Some clarifications to the policy are necessary in order to improve the actions taken at the operating unit level. More restrictions, clarification, and training are necessary to get operating departments consistent in the approaches they utilize. For example, time constraints on the use of received quotes, clarification of how informal quotations should be solicited, and a standard form for use by operating departments would improve the process and enable procurement staff to be of greater assistance to operating departments.</p> <p>The Procurement Manual being developed will provide (once adopted) consistent and clear guidelines regarding requirements for use of each procurement method (RFP, RFQ, ITB, etc) and applicable dollar thresh-holds.</p> <p>Additionally, the project team is recommending that the District implement formal bid openings for transparency of the process.</p>

Performance Target	Strengths	Potential Improvements / Action Needed
Contract amendments are reviewed by appropriate legal authority and/or the Procurement Division when the total dollar value of the amendment exceeds 25% of the original contract amount.	<p>All contract amendments are formally executed and have appropriate review either by legal staff or representatives from Procurement / Contracts.</p> <p>All contracts processed by the Contracts unit are being reviewed by District legal counsel.</p>	The District should adjust workload allocations within the Procurement function to have the same individuals processing these changes internally for consistency.
CUSTOMER SERVICE AND REPORTING FUNCTIONS		
The Procurement Division has published a "How To Do Business" Guide for vendors. The guide has been revised within the last three years.	The District has a guide for doing business with the District available on the District's website for interested vendors to educate themselves on procurement policies and practices.	<p>More detailed information regarding specific response requirements, insurance requirements, and procurement practices should be added to the available information.</p> <p>The development of the guide should be a priority over the next year. Additionally, the posting of the procurement manual being developed on the District's website will assist in educating internal and external customers regarding District policy and practices.</p>
Formal vendor training is offered annually to acquaint potential vendors on the District's policies and procedures.	The District has focused on SBE training to provide education and assistance on the District's procurement policies.	
A customer survey of department users and vendors has been conducted within the last three years to elicit feedback regarding District service levels and practices.	This feedback has been conducted as part of this assessment and study.	<p>No formalized on-going feedback mechanism is in place to solicit and evaluate vendor satisfaction or identify concerns.</p> <p>The District should utilize a survey instrument similar to that employed as part of this engagement to solicit feedback from internal and external customers.</p>

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Performance Target	Strengths	Potential Improvements / Action Needed
Assistance by Procurement Services is provided to departments in negotiating pricing for service / consultant contracts. Prior contracts and external research is utilized for determining the appropriateness of consultant rates and fees.	The Procurement / Contracts staff provide support to operating departments in evaluated pricing submittals and conduct appropriate negotiations to ensure rates and fees are appropriate. CAS has a historical listing of prior rates and fees by subject area that provides good comparative data.	Data similar to that being compiled by Contracts staff should be developed by PIMU staff to provide guidance regarding historical service contract pricing. Established contracts for services should be communicated through the District's website to enable operating units to procure off these contracts.
Contracts for services exceeding a pre-determined threshold must receive authorization from Procurement Services Division prior to approval.	All contracts are processed through Procurement Services prior to issuance.	
All contracts entered into for service contracts are either based upon contracts approved by the District or if based upon a vendor supplied contract are reviewed by legal staff prior to signature.	The District generally utilizes contracts developed internally rather than vendor / consultant supplied contracts for consistency and to ensure compliance with District requirements.	
Services, commodities, and consultants utilized by multiple departments are acquired through a joint effort coordinated by the Procurement to achieve best value for the District.	The District maintains some pre-qualified lists for consultants – though utilization levels are low and may not warrant continued development.	The District has opportunities to improve in the procurement of common services and commodities through spend analysis that would identify additional items that may benefit from common purchasing. The District should utilize the spend analysis review to identify key areas of spending that would benefit from the establishment of "requirements contracts". Even prior to the implementation of the spend analysis, the District should implement the use of requirements contracts for all routine purchases (i.e. – items stocked in Warehouse) and eliminate the use of standing orders.

Performance Target	Strengths	Potential Improvements / Action Needed
Procurement staff conduct periodic spend analysis to determine commodity areas where group purchasing would be more effective.		<p>No formal spend analysis is conducted.</p> <p>The District should conduct an annual spend analysis to review purchases across departments / operating units in order to determine areas where the District can achieve quantity discounts through coordinated purchasing (rather than individual units purchasing on an as needed basis).</p>

COMPLIANCE AND INTERNAL CONTROLS

The Procurement Division identifies and makes users aware of available cooperative purchasing agreements and GSA-like/State schedules available for direct purchases.	These are utilized as deemed appropriate by procurement staff.	<p>Additional efforts at utilizing cooperating purchasing agreements, State Bids, etc. should be undertaken to educate operating departments.</p> <p>PIMU should list all approved cooperative purchasing agreements and GSA / State Purchasing Schedules on a webpage listing for use by District Operating Units. Procurements from these sources generally do not require a competitive process since one has already been completed.</p>
A master contract approach is utilized for pre-qualifying firms able to provide technical engineering and design services.	These pre-qualified lists have been developed by the Contracts unit.	However, utilization levels are low and may not warrant continued development efforts.
Vendors are evaluated at the completion of the provision of specialized consultant, design or engineering services. Those vendors not receiving a satisfactory rating are not eligible for continued placement on the master contract.		No formal vendor evaluation process is in place. The appropriate approach for a vendor rating / debarment process is under consideration as one of the key issues the Board has raised.

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Performance Target	Strengths	Potential Improvements / Action Needed
A standard policy has been established across all departments outlining the process to be followed in evaluating and selecting vendors for service contracts (i.e. – numerical ratings, consensus selection, etc.).		No evaluations are currently taking place. The procurement manual being developed will provide standard procedures for the evaluation of responses on all service contracts.
Basic documentation on service contracts including RFPs/RFQs, vendor submissions, selection process, etc. are maintained by Procurement for all contracts.	Procurement and Contracts staff maintain all contract documents for contracts entered into by the District where procurement is involved in the selection and execution.	Some additional consistency in the documentation maintained by Procurement staff has been identified as an issue to be addressed.
Monthly / Quarterly reports are generated detailing the current status of contracts entered into by the District and outline current level of financial expenditure versus original budget, project progress, key milestones, number and amount of contract amendments/change orders, etc.	This type of evaluation and monitoring is being done by individual contract administrators (to the extent it is performed).	Periodic reports are not generated outlining this information. The District should implement a quarterly report for all contracts that summarizes key information necessary and useful for top management. At a minimum, the report should identify all contracts that have amendments for either budget or schedule (this information is currently readily available). Longer term, additional reporting should be conducted including performance reporting of actual expenditures / schedule against original amounts / time frame.
Quarterly reports are generated identifying major vendors with the SCVWD District that are doing business with more than one department to identify potential areas for joint purchasing efforts.		These reports are not generated at this time. Quarterly reports outlining all contracts with changes to the budget or schedule should be routinely developed and provided to Executive Management.

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Performance Target	Strengths	Potential Improvements / Action Needed
A quarterly report (or other suitable mechanism) is in place to identify contracts that will be terminating in the next six months and provides basic details regarding the eligibility for contract extension (based upon original contract terms entered into).		This information is not systematically generated or evaluated to ensure that advance notice is provided to operating units of the need to rebid contracts. This has caused some operating issues recently (i.e. – cellular service, security services).
Master databases are maintained of all service and construction contracts entered into by the District.	The CAS System provides a comprehensive listing of all consultant contracts in place.	A master listing of all service contracts should be developed and placed on the District's intranet for use by operating units in procuring services. All service contracts should be developed to enable other operating units to procure similar services without the need to rebid.
The Procurement Division has a defined compliance function with defined tasks, duties, and required reviews.		The role of the Procurement staff related to compliance reviews, audits, and evaluations has not been fully defined. The procurement manual being developed will clearly outline the role that procurement staff should have related to compliance monitoring.
Procurement authority delegated to departments is reviewed annually by the Procurement staff to ensure compliance with District policies and procedures.		No formal evaluation, audit process is in place. With the implementation of "delegated" procurement authority to selected business units / staff, the Procurement staff must conduct annual compliance reviews and evaluations to determine compliance with adopted District policy and determination of whether continued "delegation" of authority will continue.

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Performance Target	Strengths	Potential Improvements / Action Needed
<p>Appropriate internal controls are in place within the procurement system to generate reports or flag actions where:</p> <ul style="list-style-type: none"> • Total purchase expenditures for common services and/or goods across multiple departments exceed established approval levels. • Identification of requested payments that would exceed authorized contract or purchase order limits. • Contract amendments or change orders exceed a pre-determined percentage of the original authorized amount. • Multiple stand alone purchase orders with the same vendor are entered into by departments. 	<p>These are identified when payments are entered. If amount exceeds contract / purchase order amount action must be taken prior to approval to amend the contract / purchase order.</p> <p>All change orders / contract amendments must be approved by the CEO or BOD prior to execution.</p>	<p>No pre-defined "flags" are established in the systems to provide this type of notification to procurement staff.</p> <p>PIMU staff should work with IT staff to implement these flags / reports into place.</p> <p>This type of internal control is not in place.</p> <p>PIMU staff should work with IT staff to implement these flags / reports into place.</p>
<p>Procurement card use if periodically audited by the District to ensure compliance with policies and procedures.</p>		<p>There is no formal procurement card auditing program in place. One should be implemented that provides for periodic and random audits of users to determine compliance with existing policies and procedures.</p>
<p>Guidelines have been developed to limit the number and dollar amount of non-competitively bid contracts that can be awarded to a single vendor.</p>		<p>No guidelines or procedures are in place governing non-competitive award of contracts to a single vendor.</p> <p>PIMU staff should work with IT staff to implement these flags / reports into place.</p>

Performance Target	Strengths	Potential Improvements / Action Needed
TECHNOLOGY		
The District utilizes a common procurement software system across all departments.	A single procurement system is utilized within the District – one for general procurements and one for contracts.	Not all features of the procurement system are utilized or activated, limiting the utilization of the system mainly to procurement staff.
Staff involved with procurement are able to view historical purchases online to evaluate current bids, proposals, and quotations against prior purchase experience.	Procurement staff have full access to historical procurement actions within the two software systems to evaluate prior costs.	
Procurement Services is responsible for maintaining a centralized listing of registered vendors.	The District maintains a vendor database in the procurement module of the financial software system and in CAS.	The use of an online RFP service (such as DemandStar or Onvia) will enable the District to maintain a centralized listing of all vendors easily for PIMU.
Access to vendor maintenance files is limited to designated procurement staff.	Only selected individuals are able to edit and modify vendor maintenance files.	
<p>The automated financial system utilized for procurement contains the following elements / functionality:</p> <ul style="list-style-type: none"> • Approved vendor database. • Ability to enter and approve purchase requisitions electronically. • Ability to issue electronic purchase orders. 	<p>This is contained in the system.</p>	<p>This is not currently being conducted. This is one of the high priority issues that should be addressed over the next year to improve performance and work flow.</p> <p>This is not currently being conducted.</p> <p>The full implementation of the PeopleSoft procurement module should be pursued to enable this to occur. Following electronic requisitions, this has a high priority to reduce time and work activities of buyer and increase the performance of the PIMU staff.</p>

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Performance Target	Strengths	Potential Improvements / Action Needed
<ul style="list-style-type: none"> Ability to make electronic payments to vendors either directly or through an interface with the accounts payable module. Ability for user agencies to query the system for up to the minute information regarding purchase requisition / purchase order status. Ability for departments to electronically notate receipt of purchased goods and authorize payment. 	<p>Operating units can perform limited on-line queries to determine status of procurements.</p>	<p>There are limited electronic payments being made. The District's procurement staff should work with Finance staff to determine if electronic payments can be increased.</p> <p>Electronic receipting is not done by operating departments.</p> <p>This functionality currently exists within the PeopleSoft module and is being utilized by Warehouse staff. This should be implemented District wide.</p>
<p>The District has utilized the internet homepage to provide the following services:</p> <ul style="list-style-type: none"> Access to the procurement policy. Online electronic vendor registration Online posting and distribution of formal solicitations (IFB, RFQ, RFPs) 	<p>Access is available, though sometimes difficult to find, regarding the procurement policy of the District. This is done in CAS.</p> <p>CAS is utilized to provide online distribution of these documents.</p>	<p>A direct link and access on the website for PIMU and Contracts should be established.</p> <p>PIMU enables vendors to register through completion of a vendor information form that is completed by the vendor and returned to PIMU.</p> <p>Additional on-line procurement opportunities should be implemented for PIMU through existing commercially available RFP electronic distribution systems such as Onvia / DemandStar.</p>

Performance Target	Strengths	Potential Improvements / Action Needed
<ul style="list-style-type: none"> • Email notification of posted formal solicitations to all registered vendors • Receipt of formal bids & proposals electronically • Posting of bid tabulation results following opening • Posting of award notifications online. 	<p>Procurement staff attempt to contact registered vendors of applicable bidding opportunities.</p> <p>This is currently done in the CAS system only.</p>	<p>A more comprehensive and automated method of notifying vendors of available procurement opportunities should be implemented. This can be accomplished through a subscription to a commercially available RFP distribution program such as Onvia / DemandStar.</p> <p>Bid tabulations are not currently posted online. This can be accomplished through a subscription to a commercially available RFP distribution program such as Onvia / DemandStar.</p> <p>Bid awards are not currently posted online. This can be accomplished through a subscription to a commercially available RFP distribution program such as Onvia / DemandStar.</p>

STAFFING

Staff within the division have clearly defined duties. Assignment of responsibilities is clear and unambiguous.	The duties of existing staff are clearly defined.	Some opportunities exist to reevaluate the duties performed by existing staff for improved efficiency and effectiveness. Specific recommendations regarding staff duties and allocations are contained in the last chapter of this report.
Reporting relationships among staff are clear and unambiguous.	The reporting relationships between staff are clear.	
Spans of control for supervisory personnel are at appropriate and manageable levels.	The spans of control in PIMU and Contracts Unit are within reasonable levels.	

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Performance Target	Strengths	Potential Improvements / Action Needed
To the extent possible, staff are cross trained, within their functional areas, to provide continuity of service and to enable work reassignment during periods of especially high and low work volumes.	Some cross-training has been implemented, specifically for buyers.	<p>Additional opportunities exist to expand the level of cross-training and the segregation of work between buyers and technicians to enhance work productivity.</p> <p>Specific recommendations regarding staff duties and allocations are contained in the last chapter of this report.</p>
The Procurement staff serves as the centralized procurement authority with responsibility and authority to oversee all District purchasing and review of compliance with established policies and procedures.	Procurement is "centralized" within the District.	<p>However, the policies and procedures regarding when they must be utilized and the separation of duties between operating units and procurement staff needs to be more clearly delineated.</p> <p>The project team is recommending that the District authorize selected individuals (who have been specifically trained) to perform selected delegated procurement functions for goods and services up to \$25,000. PIMU will retain responsibility for reviewing all delegated activities and issuing all purchase orders.</p> <p>The adoption of the procurement manual under development will clarify and address this issue.</p>
Staff are spending the majority of their time on "high value" work associated with their positions – the work that adds value to the process.	This has been addressed recently for PIMU to provide greater differentiation between the role of the technicians and the buyers to enable buyers to spend a larger proportion of time on high-value actions rather than low dollar items.	

Performance Target	Strengths	Potential Improvements / Action Needed
All key staff in procurement functions have attended required training on the Procurement Policy. All new staff assigned to procurement functions are required to receive, review and attend training on the District's policy upon appointment.	This has been accomplished informally and with on-the-job training. Turnover and new staff in this unit (other than at the manager/supervisor level) has been limited.	All procurement staff should have a formal training plan developed annually (as part of performance evaluations) that details a tailored training plan. This plan should include training on the topics identified by District Staff applicable to all buyers and technicians, and also individual training to maintain, enhance and expand skill-sets. All buyers should be encouraged to obtain certification as a certified purchasing professional (or equivalent).

The current practices of the PIMU and Contracts Management Units provide a solid foundation for the necessary improvements and changes necessary to implement best practices and improve the level of services provided to the District's business units. These efforts will be assisted greatly with the implementation of the new set of policies and procedures under development that will assist in clarifying both internal processes and the procedures for operating units.

4. USER SATISFACTION FEEDBACK AND COMMENTS

4. USER SATISFACTION FEEDBACK AND COMMENTS

As part of the Procurement Assessment and Review, the Matrix Consulting Group conducted a number of interviews with various staff from Operating Units in the District who regularly use the services provided by the Procurement staff. These interviews, which were conducted to target the area of customer satisfaction, were in lieu of focus group meetings so that more detailed and specific information could be gathered about performance without concerns about interviewees being guarded in their responses. These were conducted both in person and via phone interviews.

While the discussions and interviews were conducted "free form" so that individual concerns and issues of the users could be addressed and explored, there were some specific questions utilized as a guide. These included:

User Satisfaction Survey Questions
What is the extent of your interaction with the Procurement Staff (PIMU and Contracts)? (i.e. – purchasing of commodities, services, construction projects, etc.). How frequently do you interact?
With respect to procurement, what is the Procurement staff doing well? What works?
What are your perceptions of the customer service provided to vendors by the Procurement, Contract Division of the District (e.g., friendliness, responsiveness, customer service, etc.)?
What type of information is available to you as an employee / department user? Is it helpful? Is there additional information you would like made available on the District's website?
Is the service level and information provided by purchasing: Timely? Thorough? Accurate?
How well communicated is the procurement process? Prior to submitting a requisition, do you know what process it will follow and what is expected of you? Do you know what it will take to get a purchase completed? (i.e. – the type of information needed?)
When you have submitted a purchase requisition, how are you kept informed of the activities or status of your request? (via email, financial system, phone calls, etc.) Is this communication conducted at a sufficient level and in a timely manner?
Does staff make themselves available to explain the process or to assist you in dealing with issues related to the purchasing requisition? Is there a "culture of service" from the staff?

User Satisfaction Survey Questions
What are your perceptions about the procurement process for the District? Open? Consistent? Competitive? Timely?
Are the policies and procurements well defined? Too broad? Too narrow? Flexible/Inflexible? Do you understand what is required to comply with them?
Are there any examples where the District's policies and procedures relative to procurement have required you to change the item you were looking to purchase? Or impacted your ability to meet Departmental needs? What single change would most impact this?
What are the key opportunities for improvement with respect to the procurement process at SCVWD?

The summary provides a discussion of the themes, trends and issues identified via the interview process. The points, below, present a summary of the key strengths of the District's procurement processes as identified by the survey participants.

- **The participants surveyed throughout the District system expressed general overall satisfaction with the Purchasing Department's service level but felt a more "customer focused" approach was needed.** Most participants viewed the overall service levels provided as adequate however, there were some concerns expressed about the promptness and responsiveness of staff to questions and inquiries. It was also mentioned that the Department has more recently made improvements in transitioning from a regulatory mindset to a customer service mindset. There were, however, comments related to the shift in thinking not taking place with all staff and that the service level varies depending upon the person involved.
- **Overall, the participants felt that the processes that are used are open and competitive.** There were no reported issues with competitiveness in procurement and Departments described positive experiences with Purchasing staff making efforts to ensure bids were detailed and competitive, especially on specialized items.
- **The P-Card Program is a tremendous success and the Departments universally enjoy the convenience and associated efficiency.** Without exception, the procurement card program is well received by department users. There were suggested refinements and expansion of the program that are discussed later herein. However, some confusion existed regarding appropriate use and policies regarding use of the p-cards at the department level versus utilization of other procurement methods / approaches.
- **Agency-wide and/or negotiated contracts that allow multiple Departments to purchase goods that they previously had to separately bid has improved**

procurement efficiency. Several Departments discussed contracts that are in place in the context of ease of use for their purposes. These contracts made available services and commodities that previously had to be separately bid since they exceeded the bid threshold. There was some desire to see additional agency-wide contracts established for commonly purchased goods and services.

In addition to identifying the key strengths, survey participants were asked to identify opportunities for improvement. Because the department's "culture of service" may fluctuate somewhat based upon the staff person involved, it should be noted that some staff were characterized as over regulatory or compliance oriented, while other staff were described as very customer oriented. With that background, some of the discussion points or suggested improvements made by survey respondents may not hold true in all circumstances since the service level may vary. That being said, the list, which follows, consists of only items that were mentioned by multiple departments that are of a more global nature.

- **By far the greatest opportunity for improvement identified by survey respondents was a need to improve communications.** Key issues in this area relate to both the procurement processes that are currently being used as well as bid process status updates. Greater ability to access this information electronically and on-line was desired. It should be noted that some participants noted a more recent improvement in this area.
- **An item closely related to communication that was mentioned frequently is the need to establish consistent policy interpretations and the need to get the same answers regarding applicable policies and procedures.** This issue involves the reported problem related to policy consistency. Specific concern was expressed that different responses / answers could be obtained depending upon the procurement staff member who was answering the question.
- **Training user departments in Purchasing policies and procedures needs to be improved.** Training needs to be provided and strengthened in existing District policies and procedures to include developing an understanding of the processes and rules that must be followed to implement purchases beginning with bid types, thresholds and steps needing to be followed.
- **The participants did not always believe that the purchasing processes were timely or flexible, however, this comment was often accompanied by the**

observation that the workload versus the staffing level may not be adequate. There were several comments related to the fact that Purchasing is doing the best they can with the allocated resources. It was suggested that staffing levels should be analyzed in the context of this study

- **The number of negotiated contracts or agency-wide purchasing contracts should be expanded.** Survey participants felt that the existing negotiated contracts, coupled with the procurement cards, is a very efficient and effective way to procure goods. Some participants would like to see additional commodities, services, and materials (not handled by Warehouse) that are frequently purchased available on established contracts for improved ease and timeliness of procurement.
- **A system of Departmental oversight on P-cards needs to be developed.** Some concerns were expressed regarding the appropriate utilization of p-cards and the lack of clarity or understanding of some individuals on how to utilize appropriately.
- **Enhanced use of technology would benefit operating units.** Many participants indicated a desire to make more effective use of the software in place to process purchase requisitions and electronically handle procurement processes.

Besides the data collected related to strengths and opportunities for improvement, District staff were asked an open-ended question regarding how they would change the current processes and procedures to better serve their Department when problems or issues were identified. The table, beginning on the following page, provides suggested solutions offered by District personnel to improve the processes and procedures of the Purchasing staff in the key issue areas.

User Department Staff Generated Improvement Suggestions	
Communications:	
	<ul style="list-style-type: none">• Develop a more automated system for e-mail notification when P.O.'s are issued.• Establish a policy that requires the Purchasing Department to advise user departments upon PO issuance by e-mail on a consistent basis.• Improve Inter-Departmental coordination and communications with the Operating units to participate in changes to the procurement practices prior to them being implemented.

User Department Staff Generated Improvement Suggestions
<ul style="list-style-type: none">Develop more informative and useful web pages to improve information dissemination and use blast e-mails when important updates are posted and to inform users of available contracts available for their use in procurement of good, services, and materials.Provide a clear understanding of timelines and performance measures for procurement actions. Operating units don't fully understand the time necessary or needed by procurement staff to handle requests or when to expect a purchase order to be issued.
Policy Administration:
<ul style="list-style-type: none">Develop a common understanding and consistent application of the procurement policies in place and the expectations of Procurement staff of the information to be submitted by operating units.Provide a single purchasing buyer assigned to each operating unit to handle their procurement needs. This would enhance the understanding of the buyer of the unique operational needs of the unit.Ensure operating departments have the ability to provide input and comments before procurement policies and procedures are changed. When changes are made, training or information should be provided to the operating departments in advance of the effective date.
Purchasing Contracts:
<ul style="list-style-type: none">Increase the number of available web-based contract purchasing opportunities.Allow for operating units to go outside of the contracts when the negotiated or agency-wide contracts are not the least expensive route.
Special situations:
<ul style="list-style-type: none">Develop specialized knowledge for unusual departments by assigning Purchasing staff instead of rotating them among various assignments; sometimes special knowledge is more valuable than cross-training.Eliminate the use of a specific individual to handle arrangements for all travel and require operating units to handle travel plans. Procurement should focus on audit and compliance of these efforts.
Training:
<ul style="list-style-type: none">Expand training beyond how to use the procurement policies and software system by developing purchasing training courses that focus on the policies and procedures related to procurement once consistent policies and procedures are developed for widespread implementation.Provide training memos on policy changes and updates as soon as possible so that operating units can maintain compliance.

Overall, the interviews with the user departments and employees provided significant insight and useful information to the project team regarding service levels provided by the procurement staff and an indication of the service levels provided to user departments. Additionally, some of the proposed changes desired / recommended by the operating units provide key points of discussion for the project team to undertake with the Procurement staff about future policy and operating practice changes.

5. RESULTS OF THE VENDOR SURVEYS

5. RESULTS OF THE VENDOR SURVEYS

A key component of this study included the solicitation of vendor input through the administration of electronic surveys. The Matrix Consulting Group designed two surveys – one for procurement and one for contract services. The total number of responses is provided in the table below.

Survey	Number of Responses
Procurement	71
Contracts	165
Total	236

The following sections of this Chapter summarize the data collected and reviewed by the project team from the vendor surveys to gain an understanding of the customers' perceptions and expectations regarding services provided.

1. SUMMARY OF THE VENDOR SURVEY FOR PROCUREMENT

The project team solicited input from vendors that have submitted bids to the Santa Clara Valley Water District. Vendors were asked to provide general information regarding their participation in the solicitation process.

(1) The Majority of Respondents Have Participated in the Solicitation Process Within the Last Year.

As shown in the chart below, the majority of respondents have participated in the solicitation processes within the last year.

When did you last participate in a Santa Clara Valley Water District bid process?	Response Percent	Response Count
More than 2 years ago	20.6%	14
Between 1 and 2 years	17.6%	12
Within last year	61.8%	42
<i>Answered question</i>		68
<i>Skipped question</i>		3

Over 60% of respondents have participated in the solicitation process (i.e., request for bid, request for quote, request for proposal, etc.) within the last year.

(2) Half of Respondents Have Participated in the Bid Process Multiple Times.

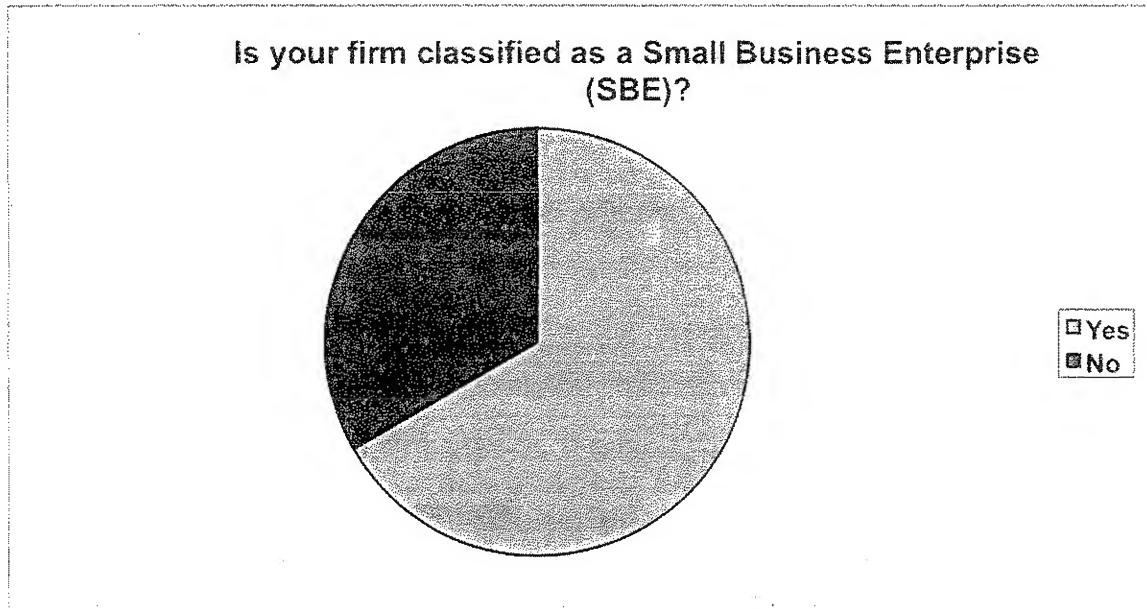
The project team asked respondents to indicate the frequency with which they had participated in the District's bid process. Of the 64 responses, 50% of vendors had participated in the bid process multiple times. The table, below, presents the distribution of participation of vendors.

No. of Time Participated in the Bid Process	No. of Respondents	% of Respondents
0	5	8%
1	27	42%
2	10	16%
3	9	14%
4	2	3%
5	1	2%
6	1	2%
7	1	2%
8	1	2%
10	4	6%
15	1	2%
20	1	2%
30	1	2%
Grand Total	64	100%

As shown in the table, half of the vendors responding have participated in the bid process multiple times.

(3) The Majority of Respondents Are Classified As a Small Business Enterprise.

Respondents were asked to identify while their organization qualified for the District's small business enterprise designation. The results are shown in the chart below.



The majority of respondents' firms, 67%, were classified as a small business enterprise.

(4) Over Half of the Respondents Were Never Awarded a District Contract Over the Last Three Years.

Respondents were asked to identify the number of awards actually received. The table, below, presents the distribution of responses.

No. of Awards	No. of Respondents	% of Respondents
0	37	54%
1	12	18%
2	4	6%
3	7	10%
4	1	1%
5	1	1%
6	2	3%
10	1	1%
12	1	1%
26	1	1%
40	1	1%
Total	68	100%

As shown in the table, 54% of respondents were not awarded a District contract. On the Other hand 19% of respondents received multiple awards.

(5) The Majority of Respondents Were Awarded Contracts With an Cumulative Value Between \$0 and \$10,000.

The survey provided respondents with an opportunity to identify the cumulative value of contracts awarded their firm over the last three years.

Cumulative Dollar Value	Response Percent	Response Count
\$0 to \$10,000	65.7%	44
\$10,001 to \$100,000	16.4%	11
\$100,001 to \$1,000,000	17.9%	12
Greater than \$1,000,000	1.5%	1
	<i>Answered question</i>	67
	<i>Skipped question</i>	4

While the majority of respondents (65.7%) were awarded contracts under \$10,001, approximately 19% of respondents were awarded contract valued at \$100,001 or greater.

(6) Approximately 34% of Respondents Have At Times Not Submitted to a Bid For Which They Were Qualified.

Respondents were asked: 'have you ever not submitted a bid to the district for which you were qualified to provide the good / service / commodity?' Of the 67 vendors responding to the statement, 34.3% selected 'yes.' The points, below, provide a summary of the common reasons identified by vendors for not submitting:

- Insufficient time to respond to the solicitation (i.e., short deadline / turnaround time, not enough notice)
- Solicitation was too restrictive (i.e., too specific in process and procedures so it limits vendors with alternative means of completing the assignment, seemed as though bid was written for a specific vendor, etc.)
- Prior experience submitting bid with the District (e.g., no communication from District, etc.)

The majority of vendors that choose not to respond to a solicitation identify insufficient time and restrictive bids as key factors in their decision to not submit a bid.

(7) The Majority of Respondents Viewed the Overall Procurement Process Positively.

Vendors were asked to evaluate three statements regarding the procurement process and to select 'very satisfied,' 'somewhat satisfied,' 'neutral,' 'somewhat dissatisfied' or 'very dissatisfied' in response to each statement. The table, below, presents a summary of the results.

During the bidding process, how satisfied were you with the following:	Very Satisfied & Somewhat Satisfied	Neutral	Somewhat Dissatisfied & Very Dissatisfied	Total
The information provided by SCVWD to participants during the bidding process?	67%	8%	25%	100%
The level of responsiveness provided by the SCVWD staff?	60%	17%	22%	100%
The overall timeframe for the bidding process (from issuance of bidding documents through award)?	47%	29%	24%	100%

Overall, respondents had positive perceptions with respect to the bidding process with 67% selecting 'very satisfied' or 'somewhat satisfied' with respect to the information being provided to participants during the bidding process. Additionally, 60% of respondents selected 'very satisfied' or 'somewhat satisfied' with regard to the level of responsiveness provided by the SCVWD staff.

Slightly very respondents selected 'very satisfied' or 'somewhat satisfied' with respect to 'the overall timeframe for the bidding process.' This was partly echoed in the reasons given by respondents for not submitting to bids for which they were qualified.

(8) Most Respondents' Attitudes Towards SCVWD's Process and Customer Service Were Neutral to Positive.

Respondents were asked to evaluate statements regarding the procurement process and customer service in the SCVWD by selecting 'strongly agree,' 'agree,'

'neutral,' 'disagree,' or 'strongly disagree.' The table, which follows, presents a summary of the results.

Statement	Strongly Agree & Agree	Neutral	Disagree & Strongly Disagree	N/A	Total
The SCVWD procurement process is open, fair and equitable.	52%	23%	22%	3%	100%
The SCVWD Procurement staff provides me with excellent customer service.	44%	31%	17%	8%	100%
The SCVWD Procurement staff conduct themselves in a professional manner.	64%	25%	5%	6%	100%
The SCVWD Procurement staff demonstrate high ethical standards in all of their actions.	55%	30%	8%	8%	100%
The SCVWD Procurement staff resolves my problems and issues in a timely manner.	41%	23%	25%	11%	100%
When there is a procurement related problem or issue, possible solutions are clearly communicated to me.	38%	30%	19%	14%	100%

The points, which follow, provide a discussion of the results presented in the above table.

- Over half of respondents viewed the procurement process as 'open, fair, and equitable.'
- While 44% of respondents selected 'strongly agree' or 'agree' in response to the statement: 'the SCVWD Procurement staff provide me with excellent customer service,' 64% selected 'strongly agree' or 'agree' in response to the statement: 'the SCVWD Procurement staff conduct themselves in a professional manner.'
- Additionally, 55% of respondents 'strongly agree' or 'agree' in response to the statement: 'the SCVWD Procurement staff demonstrate high ethical standards in all of their actions.'
- Respondents had less positive perceptions with respect to the statement: 'the SCVWD Procurement staff resolve my problems and issues in a timely manner,' with 41% selecting 'strongly agree' or 'agree' and 25% selecting 'strongly disagree' or 'disagree.'
- Similarly, 38% of respondents selected 'strongly agree' or 'agree' in response to the statement: 'when there is a procurement related problem or issue, possible solutions are clearly communicated to me.'

While the majority of respondents had positive perceptions with respect to the procurement process and professionalism of staff, respondents were less positive with respect to resolution of problems or issues.

(9) Vendors Were Asked to Respond to Open-Ended Questions.

Vendors were asked to respond to three open-ended questions. The points, which follow, provide a summary of the results.

- What is your greatest frustration with the procurement practice of SCVWD?
 - Lack of time in which to complete competitive bids
 - Limited communication from SCVWD as to process, status, etc.
 - On-line bidding service
 - Completing the post-award process (e.g., purchase order / contract)
 - Slow award process
- What suggestions can you offer to help the District overcome this frustration?
 - Provide more time in which to complete the paperwork for competitive bids
 - Issuance of POs in a more timely manner
 - Ensure all requirements are clearly stated in the RFP
 - Consistent and clear communication via email, phone or fax
 - Adherence to policies and procedures regarding notifications and communication
- What other comments or suggestions can you provide to help us serve you better?
 - Better responsiveness and communication with vendors
 - Improve the online submittal process (cumbersome and slow)
 - Process for proactively distributing bids to vendors

- Email results to bidders
- Have a small committee of SBE firms to provide feedback

2. SUMMARY OF THE VENDOR SURVEY FOR CONTRACTS

The project team solicited input from vendors that have submitted bids to the Santa Clara Valley Water District. Vendors were asked to provide general information regarding their participation in the solicitation process.

(1) The Majority of Respondents Have Participated in the Solicitation Process Within the Last Year.

As shown in the chart below, the majority of respondents have participated in the solicitation processes within the last year.

When did you last participate in a Santa Clara Valley Water District bid process?	Response Percent	Response Count
More than 2 years ago	37.6%	56
Between 1 and 2 years	24.2%	36
Within last year	38.3%	57
<i>Answered question</i>		149
<i>Skipped question</i>		16

Over 38% of respondents have participated in the solicitation process (i.e., request for bid, request for quote, request for proposal, etc.) within the last year.

(2) Half of Respondents Have Participated in the Bid Process Multiple Times.

The project team asked respondents to indicate the frequency with which they had participated in the District's bid process. Of the 64 responses, 50% of vendors had participated in the bid process multiple times, while 38% of vendors had only participated in one bid process. The table, below, presents the distribution of participation of vendors.

No. of Time Participated in the Bid Process	No. of Respondents	% of Respondents
0	18	12%

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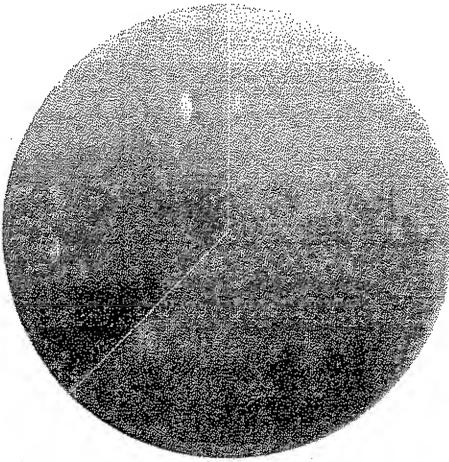
No. of Time Participated in the Bid Process	No. of Respondents	% of Respondents
1	60	38%
2	30	19%
3	21	13%
4	8	5%
5	7	4%
6	2	1%
7	1	1%
8	1	1%
10	3	2%
12	1	1%
15	1	1%
20	1	1%
25	1	1%
30	1	1%
Total	156	100%

As shown in the table, half of the vendors responding have participated in the bid process multiple times.

(3) The Majority of Respondents Are Classified As a Small Business Enterprise.

Respondents were asked to identify while their organization qualified for the District's small business enterprise designation. The results are shown in the chart below.

Is your firm classified as a Small Business Enterprise (SBE)?



Yes

No

The majority of respondents' firms, 62.3%, were classified as a small business enterprise.

(4) Over Half of the Respondents Were Never Awarded a District Contract Over the Last Three Years.

Respondents were asked to identify the number of awards actually received.

The table, below, presents the distribution of responses.

No. of Awards	No. of Respondents	% of Respondents
0	101	65%
1	34	22%
2	11	7%
3	8	5%
12	1	1%
Total	100%	100%

As shown in the table, 65% of respondents were not awarded a District contract.

On the other hand 13% of respondents received multiple awards.

(5) The Majority of Respondents Were Awarded Contracts With an Cumulative Value Between \$0 and \$10,000.

The survey provided respondents with an opportunity to identify the cumulative value of contracts awarded their firm over the last three years.

Cumulative Dollar Value	Response Percent	Response Count
\$0 to \$10,000	68.2%	103
\$10,001 to \$100,000	14.6%	22
\$100,001 to \$1,000,000	13.9%	21
Greater than \$1,000,000	3.3%	5
	<i>answered question</i>	151
	<i>skipped question</i>	14

While the majority of respondents (68.2%) were awarded contracts under \$10,001, approximately 17% of respondents were awarded contract valued at \$100,001 or greater.

(6) Approximately 42.6% of Respondents Have At Times Not Submitted to a Bid For Which They Were Qualified.

Respondents were asked: 'have you ever not submitted a bid to the district for which you were qualified to provide the good / service / commodity?' Of the 155 vendors responding to the statement, 42.6% selected 'yes.' The points, below, provide a summary of the common reasons identified by vendors for not submitting:

- Lacked sufficient advance notice of RFP to be able to ensure appropriate staff resources to complete work
- RFP / RFQ requirements were unclear, particularly the cost requirements
- Requirements of the RFP were too restrictive
- On-line system was too difficult to navigate
- For a small business, requirements of the RFP / RFQ is too expensive to consider

The majority of vendors that choose not to respond to a solicitation identify insufficient time and restrictive bids as key factors in their decision to not submit a bid.

(7) The Majority of Respondents Viewed the Overall Procurement Process Positively.

Vendors were asked to evaluate three statements regarding the procurement process and to select 'very satisfied,' 'somewhat satisfied,' 'neutral,' 'somewhat dissatisfied' or 'very dissatisfied' in response to each statement. The table, below, presents a summary of the results.

During the bidding process, how satisfied were you with the following:	Very Satisfied & Somewhat Satisfied	Neutral	Somewhat Dissatisfied & Very Dissatisfied	Total
The information provided by SCVWD to participants during the bidding process?	65%	22%	12%	100%
The level of responsiveness provided by the SCVWD staff?	61%	28%	11%	100%
The overall timeframe for the bidding process (from issuance of bidding documents through award)?	58%	30%	12%	100%

Overall, respondents had positive perceptions with respect to the bidding process with 65% selecting 'very satisfied' or 'somewhat satisfied' with respect to the information being provided to participants during the bidding process. Additionally, 61% of respondents selected 'very satisfied' or 'somewhat satisfied' with regard to the level of responsiveness provided by the SCVWD staff.

Slightly very respondents selected 'very satisfied' or 'somewhat satisfied' with respect to 'the overall timeframe for the bidding process.' This was partly echoed in the reasons given by respondents for not submitting to bids for which they were qualified.

(8) Most Respondents' Attitudes Towards SCVWD's Process and Customer Service Were Neutral to Positive.

Respondents were asked to evaluate statements regarding the procurement process and customer service in the SCVWD by selecting 'strongly agree,' 'agree,'

'neutral,' 'disagree,' or 'strongly disagree.' The table, which follows, presents a summary of the results.

Statement	Strongly Agree & Agree	Neutral	Disagree & Strongly Disagree	N/A	Total
The SCVWD procurement process is open, fair and equitable.	45%	31%	17%	8%	100%
The SCVWD Procurement staff provides me with excellent customer service.	42%	33%	11%	14%	100%
The SCVWD Procurement staff conduct themselves in a professional manner.	61%	25%	4%	11%	100%
The SCVWD Procurement staff demonstrate high ethical standards in all of their actions.	48%	31%	4%	18%	100%
The SCVWD Procurement staff resolves my problems and issues in a timely manner.	35%	30%	11%	23%	100%
When there is a procurement related problem or issue, possible solutions are clearly communicated to me.	34%	26%	15%	26%	100%

The points, which follow, provide a discussion of the results presented in the above table.

- Approximately 45% of respondents viewed the procurement process as 'open, fair, and equitable.'
- While 42% of respondents selected 'strongly agree' or 'agree' in response to the statement: 'the SCVWD Procurement staff provide me with excellent customer service,' 61% selected 'strongly agree' or 'agree' in response to the statement: 'the SCVWD Procurement staff conduct themselves in a professional manner.'
- Additionally, 48% of respondents 'strongly agree' or 'agree' in response to the statement: 'the SCVWD Procurement staff demonstrate high ethical standards in all of their actions.'
- Respondents had less positive perceptions with respect to the statement: 'the SCVWD Procurement staff resolve my problems and issues in a timely manner,' with 35% selecting 'strongly agree' or 'agree' and 23% selecting 'strongly disagree' or 'disagree.'
- Similarly, 34% of respondents selected 'strongly agree' or 'agree' in response to the statement: 'when there is a procurement related problem or issue, possible solutions are clearly communicated to me.'

While the majority of respondents had positive perceptions with respect to the procurement process and professionalism of staff, respondents were less positive with respect to resolution of problems or issues.

(9) Vendors Were Asked to Respond to Open-Ended Questions.

Vendors were asked to respond to three open-ended questions. The points, which follow, provide a summary of the results.

- What could the SCVWD do to make it a more appealing and sought after customer for your firm?
 - Complete the selection, negotiation, and contracting processes more quickly (as well as paying invoices)
 - Reform CAS
 - Clearer RFQ requirements
 - Provide e-mail notices
 - Grant vendors meetings to discuss losses on procurement so that they may improve their responses
 - Have an annual workshop with consultants to discuss upcoming opportunities
- What suggestions can you offer to help the District overcome this frustration?
 - Identify projects for a given service category, before requesting SOQ's for prequalified lists.
 - The District has a pre-qualified list, but then should either solicit bids from 3 firms on the pre-qualified list on a rotating basis or ask firms to submit uncompetitive bids on a rotating basis
 - Maintain some of the generic requirements available online for public review anytime, such as the QEMS requirements for projects in general and such, and provide a little more time for preparation and submittal of large project proposals
- What other comments or suggestions can you provide to help us serve you better?

- Identify for the consultant community those opportunities likely available from CIP, in the following year.
- Reach out to more Minority owned small business enterprises.
- Making the District's budget known to consultants helps in cutting down on the negotiations later on and helps us in focusing our scope and budget to meet the District's budget and scope.
- Improve consistency of follow-answers to questions; write RFPs more clearly, avoid contradictory or confusing language in written responses to questions

6. SUMMARY OF RECOMMENDED PROCESS IMPROVEMENTS

6. SUMMARY OF RECOMMENDED PROCESS IMPROVEMENTS

This interim report presents a summary of the key recommendations developed for the Santa Clara Valley Water District relative to necessary process improvements and staffing alternatives developed by the project team. Before describing the recommendations for each of these areas, the project team has reviewed the recommendations contained in the prior audit done on the procurement process for the District and summarized in the following table the major recommendations and the action taken to date by the District on each recommendation in terms of implementation and/or compliance.

1. MACIAS REPORT RECOMMENDATIONS AND CURRENT STATUS.

During 2008, the Santa Clara Valley Water District engaged Macias, Gini & O'Connell (a firm of certified public accountants and management consultants) to conduct a review of the District's procurement activities. The review focused on procurement of supplies and services greater than \$25,000 for the period covering FY2006 through FY2008. This review did not focus on consultant contracts or any construction contracts. The key tasks contained in this review were the following:

- a) Examination of the District's procurement and purchasing records against a review of sample purchase orders completed by staff;
- b) Assessment of management oversight and accountability
 - Review of existing internal controls
 - Assessment of the adequacy of existing controls, and

- Assessing the integrity of the control systems in place and the overall efficiencies of the systems.

c) Assessment of the risk of financial loss, overspending, missed savings opportunities, misconduct, waste or abuse of the procurement system.

The report made a total of thirty-eight recommendations designed to strengthen the procurement process and align activities with best practices designed to improve the efficiency and effectiveness of the existing controls. The following table summarizes the recommendations contained in this report and provides a short summary narrative outlining the actions taken by the District to implement or describe if this issue is still present in the organization.

#	Finding / Recommendation	Comments	Status / Action Needed
1.	Implementation of a series of change management training to PIMU and to District executive management to ensure implementation of the needed procurement process changes and to build trust between staff and operating units.	Some efforts undertaken to increase dialogue and interaction between PIMU and Executive management through meetings, discussion of potential changes at executive meetings, etc. However, concerns still expressed during interviews with internal customers regarding involvement prior to changes being implemented.	Training on new policies and procedures being developed will assist in establishing consistent understanding of roles and responsibilities for all involved parties. Adoption of performance measures and periodic reporting on performance will assist in building trust between procurement and operating units.
2.	The PIMU Manager should develop the following checklists and forms for PIMU staff:		
3.	Checklist covering all procurement activities that should take place. The checklist should be completed, signed and dated upon completion of procurement activities. Appropriate documentation should be attached.	This form is not in use on all procurements.	Checklist should be developed and implemented.

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#	Finding / Recommendation	Comments	Status / Action Needed
4.	Procurement Evaluation form should be developed for use in evaluation of suppliers bidding on procurements for supplies and services.	A draft form has been developed however implementation is on hold at this point. This evaluation form should be implemented upon completion of current review and a policy incorporated into the procurement manual under development.	Form has been drafted. It should be finalized and implemented following completion of this the performance review and assessment.
5.	A standard letter should be prepared and submitted via email, fax or mail to all potential suppliers bidding on selected procurements.	Potential suppliers registered with the District are informed of procurements mainly via website and buyer contact.	Completed.
6.	Standard bid acceptance letter should be prepared and sent to all suppliers announcing the winning suppliers and procedures for filing protests.	Standard notification is provided on each solicitation.	Completed.
7.	A travel request form should be prepared including requesting department, purpose of travel, dates of travel, estimated airline, per diem and lodging costs, and appropriate authorization.	The District has developed and put in place a standard travel request form.	Completed.
8.	Checklist showing small business, locally-owned suppliers, and environmentally preferable vendors were contacted and considered.	A specific checklist covering these areas is not in use for all procurements.	This checklist should be developed and implemented as a component of all procurement actions. For actions completed by buyers, they should complete and include in files. For services procured through formal bidding / RFP, the vendor should complete and include as part of their response.

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#	Finding / Recommendation	Comments	Status / Action Needed
9.	PIMU Manager should review and document his review of all procurements prior to preparation and approval of purchase orders.	Manager does not review all purchase orders prior to preparation and approval however staff, with appropriately delegated duties, have been charged and are accountable for performing this task.	Completed. No further action necessary as long as periodic reviews of delegated authority are conducted. The time required for PIMU Manager to evaluate each purchase order is excessive and does not add sufficient value to warrant implementation.
10.	Develop and prepare quarterly reports on key procurement performance indicators such as volume of open purchase orders, closed purchase orders, aging purchase orders, timeliness, and other descriptive statistics based on the dollar amount of procurements, including number of procurements over budget, number of procurements less than \$2,500, number of procurements less than \$25,000, number of procurement less and greater than \$100,000.	Limited quarterly reporting is currently being conducted on this list of items.	Quarterly reports should be generated routinely and shared with Operating Units.
11.	Conduct procurement cycle training to PIMU staff on new policy, procedural and organizational changes.	Staff are generally trained on new policies as they are developed. However, a formal training program should be implemented with the development of the new training manual.	Training for staff should be conducted when new policies and procedures are implemented.

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#	Finding / Recommendation	Comments	Status / Action Needed
12.	Conduct bi-monthly operational improvement meetings with PIMU staff to discuss (1) initiating procurements; (2) ensuring compliance with procurement policies and procedures; (3) monitoring the appropriateness of purchase order activity by the District's business units, and (4) formal reporting of deficiencies.	Specific meetings are not conducted for this purpose, however, these same issues are being addressed by the PIMU Manager with his staff during regular staff meetings.	Regular meetings with operating units should be conducted to cover the issues listed. The Matrix Project team would recommend a quarterly frequency rather than bi-monthly.
13.	The District Should implement a revised set of procurement policies and procedures containing the following additions and revisions:	New procurement policies and procedures will be implemented by the District during 2010. They are being drafted as part of Task 3 of the current review.	Will be completed as part of this contract.
14.	Eliminate the use of standing orders. Rather one to three year contracts should be used to guarantee pricings, using industry-specific inflation adjustments.	Standing orders are still being utilized for the procurement of selected good and services. Each buyer maintains a listing of these and operating units are informed of their availability for use.	The Number of standing orders utilized should be significantly reduced as noted in prior report. Open ended contacts with defined terms and specific pricing should be utilized instead.
15.	Eliminate the use of bid-splitting in order to ensure a competitive bidding process and add controls such as secondary reviews and tracking of purchase orders to ensure it does not occur.	<p>The Unit has focused additional attention on the identification and review of potential bid-splitting during procurement. Given the extensive utilization of credit cards for purchases at the operating unit level, additional measures and oversight must be implemented by procurement staff.</p> <p>The revised Board policy specifically addresses and prohibits the use of bid splitting to avoid the limits contained in the Board policy.</p>	<p>Periodic audits should be conducted solely for the purpose of identifying potential bid-splitting.</p> <p>When identified, procurement staff should work with operating units to explain policy / procedures.</p>

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#	Finding / Recommendation	Comments	Status / Action Needed
16.	For all types of procurement, ensure all procurement related documentation is maintained in a centralized vendor file. This includes all prior and subsequent documentations related to procurements entered into with a single vendor.	Documentation is maintained in a central file for each procurement activity. However, during the data collection phase of the current review project, the project team noted that files are not always complete and that the procurement staff have been faced with issues with vendors where appropriate documentation could not be located in the file.	A checklist of all required documentation should be provided to each buyer. As part of an annual performance review, the PIMU Manager should audit a sample of files maintained by each buyer to ensure they are maintaining complete files.
17.	Increase the dollar value thresholds from \$2,500 to \$25,000, the industry benchmark for requiring Board approval. For contracts between \$2,500 and \$25,000 the District's CAO or newly-created Procurement Officer should be responsible for final authority.	The revised board policy governing procurements provides for staff authorizations at the following levels: Construction contracts <\$25,000; Consulting Contracts - <\$100,000; for all other services, supplies, equipment and financial commitments the amount actually specified in the board-approved annual district budget. Additionally, no single purchase, contract or other financial commitment can be made without a competitive procurement process unless authorized by the Board unless it is subject to one of the outlined exemptions.	Completed.
18.	Require evidence of a three-way match in the procurement file. Three-way matching adds the control to check the receipt of the goods and services with both the vendor's invoice and the original purchase order.	The existing process for payment of invoices requires acknowledgement of the receipt of goods and services outlined on the invoice, and a check against the purchase order.	Completed. Current procedures should be sufficient to ensure payment is only made on items received.

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#	Finding / Recommendation	Comments	Status / Action Needed
19.	Require change orders for professional and technical services only.	Change orders are required for professional and technical services when terms, schedules or budgets deviate significantly from contracted levels.	Completed.
20.	Reference MOUs on membership purchases in the District's current procurement manual.	All necessary information on membership purchases	
21.	Require and enforce the submission of travel requests by all District employees to the Travel Coordinator prior to any anticipated expenditure.	Policy requires this documentation to be submitted. However, in practice this is not always done in advance of the expenditure or commitment of funds for travel.	Training on policy and procedures should be conducted for all operating units. Some changes in procedures are being recommended as part of this review.
22.	Require Board approval for all donations made to non-profit or other governmental organizations.	Existing policy covers circumstances under which board approval is necessary.	Completed.
23.	The PIMU manager should assign buyers to handle the procurements for specific business units without deviation or change to their assigned business units.	The PIMU manager has changed the assignment of purchase requisitions to move away from the assignment of specific commodities, good and services to individual buyers and towards having all buyers able to process all types of procurements. This facilitates the implementation of this recommendation.	Each operating unit should have an assigned buyer to increase customer service.

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#	Finding / Recommendation	Comments	Status / Action Needed
24.	Provide refresher training to all procurement staff on the purchasing module including on self-help features.	<p>Limited training has been provided. With any future updates, a comprehensive retraining should occur.</p>	<p>Additional training should be implemented. Additionally, specific training plans should be developed for each buyer to provide training regarding procurement policies and practices. The District has previously identified a training plan containing the following training session:</p> <ul style="list-style-type: none"> - Procurement Fundamentals; - Insurance Requirements; - Procurement Ethics; - Key contracting provisions / practices; - Vendor Selection; and - Developing Contract Terms. <p>The project team recommends that the District implement this training as soon as possible. In addition, the District should encourage all staff to achieve a certified procurement professional (or equivalent) designation.</p>
25.	Establish a District Procurement Officer position to oversee all procurements. The cost of this position could be offset by discounts and cost savings to the District that could be achieved through tighter compliance of District's procurement processes.	<p>This position has not been established as specifically noted in this recommendation. Melanie Richardson currently serves as the de facto District Procurement Officer in her role overseeing the Procurement and Contracts Units.</p>	<p>No further action necessary unless District determines to change organizational structure.</p>

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#	Finding / Recommendation	Comments	Status / Action Needed
26.	Provide the District Procurement Officer with clear authority and accountability over the District's procurement process, including procurement activities that could at a later time take place at the business unit level.	Partially implemented with changes in procedures and required signature authorities.	Adoption of new policies and procedures will assist in further defining roles and responsibilities of procurement / contracts staff and operating units. No additional action necessary unless District implements changes in procurement roles that would push decentralization of procurement to operating units (not recommended by Matrix project team).
27.	Centralize all procurements by having PIMU responsible for all procurements for at least 12 to 18 months, or until a comprehensive and effective procurement model is fully administered by the Unit.	Not implemented. District Business Units still solicit some procurements directly including the issuance of RFPs and RFQs without procurement involvement.	The District should require all formal RFPs and RFQs to be issued by either PIMU / CSU as appropriate.
28.	The District's PeopleSoft System Administrator should have the following configurations to enhance and address much needed functionality of the procurement module:		
29.	Implement limited access rights so that only department-designated individuals have the ability to open, change and close purchase orders.	Access has been limited based upon authorized designation.	Completed.
30.	Insert automatic close dates on purchase orders.	Not implemented.	Automatic closure dates should be implemented in PeopleSoft.

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#	Finding / Recommendation	Comments	Status / Action Needed
31.	Link Districts' financial management system; the system could be configured to encumber funds on purchase orders. This will ensure that department budgets are adhered to and can easily be tracked.	Not implemented.	Work with Finance to ensure all purchase orders issued automatically encumber funds.
32.	Implement the online purchase requisition functionality within PeopleSoft which will eliminate the use of paper requisitions.	Not implemented.	Online purchase requisitions should be implemented in PeopleSoft.
33.	Determine the feasibility of implemented status order checking with the current module.	Limited status order checking is available on current system but is limited by: (1) not utilizing electronic purchase requisitions, and (2) setting system up to authorize selected individuals within departments to view status.	Software changes necessary to implement these features should be a priority for the District.
34.	Obtain system tables from the purchasing module and examine the coding structure for good and services and technical and professional services. Then develop and configure additional codes that would better identify the specific types of procurement activities.	Not fully implemented.	Coding tables should be reviewed and updated to fully implement this recommendation.

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#	Finding / Recommendation	Comments	Status / Action Needed
35.	For each business unit, assign individual responsibility for submitting all required documentation before the procurement can commence by PIMU.	Business units are required to submit all necessary documentation prior to commencement of procurement functions. However, in practice this does not always occur and the PIMU enter requisitions into the Quest system pending receipt of all necessary data. The Technician reviews needed documentation and notifies departments of necessary info needed for buyer to process.	Additional training as part of policies and procedure adoption should include a component regarding required documentation. All buyers should work with assigned operating units to ensure necessary documentation is received.
36.	The CAO should work with the District's Finance Department to develop a method for ensuring that requests for purchases fall within budgeted amounts of the requesting department.	The financial system will note when insufficient funds are available during the purchase order creation. However, the process would be improved if the electronic purchase requisition module were implemented by preventing requisitions from being approved and forwarded to procurement staff without accurate account coding and sufficient available funds.	Electronic purchasing should be implemented.
37.	After 18 months of implementing centralized procurements by PIMU, assign and or hire additional staff to be located among various business units and move towards a delegated procurement model.	N/A – since prior steps not implemented.	The Matrix project team does not recommend decentralization of procurement functions at this time except for units that are specifically trained and granted authority by the Procurement Management staff.

#	Finding / Recommendation	Comments	Status / Action Needed
38.	After moving to a delegated procurement model, determine the feasibility of establishing procurement compliance officers with PIMU whose primary role is to ensure compliance of the District's procurement processes.	N/A.	N/A.

As part of the review and compilation of the above table, the project team has not made specific recommendations regarding agreement or disagreement with the specific findings or solutions contained in the prior report. In summarizing the current status, we simply wanted to note the current status of implementation of each item and to indicate what action remains to be undertaken to address the finding or implement the recommended solution.

2. PROCESS IMPROVEMENTS / OPERATIONAL ENHANCEMENTS.

The review of process improvements and operational enhancements conducted by the project team had two primary focuses. First, the listing of key issues that were identified by the District as issues to be specifically addressed. Most of these issues are ones that have been raised either as concerns by the Board of Directors and/or staff for an extended time period and many of which drive the need for the comprehensive review of the procurement function. The second major focus involved recommendations for changes based upon the comparison of existing policies and practices of the SCVWD procurement and inventory management and contracts services units when compared to best management practices.

(1) The District Identified Several Key Issues for Review as Part of the Study.

As noted above, several issues were identified as key for review, comparison and resolution as part of the overall procurement review. These included the following items:

- **Vendor Performance / Debarment Process:** This issue covers the need for an effective and easy to administer process for inclusion of prior vendor performance in work performed for the District when making selection decisions on new procurements and the feasibility of implementing a debarment process.
- **Consultant Review Board Make-Up.** This issue covered the appropriateness use and number of external members (non-District employees) of review boards reviewing consultant selections.
- **Use of Pre-Qualified lists in consultant selections.** This issue included the appropriateness of the use of pre-qualified lists, including the number and types in place within the District, and whether it was an efficient and effective use of staff time in preparing these lists compared to utilization levels. An ancillary issue was the impact that using pre-qualified lists had on SBEs to compete for District business (i.e. – did it unnecessarily limit access).
- **SBE Participation Levels.** This issue focused on the sufficiency of the current total SBE participation levels and preference given for utilization during contract selection and award.
- **LBE Participation Levels.** This issue included the review of the feasibility of implementing formal local business enterprise participation levels within the District's procurement process.
- **Travel Policy / Business Lunches.** The project team was asked to review the existing travel policy against industry practices specifically as they related to the coverage and policies related to business lunches and what should be covered as a District expense.

In reviewing each of these critical areas, the project team utilized the following in developing its' recommendations: experience with other public entities, industry best practices, the comparative survey conducted of comparable water districts, and the input received from the internal and external customers. The following table summarizes the recommendations made for each of these areas and the reasoning for

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making this recommendation.

Key Issue	Comments / Recommendations
Consultant Review Board Make-Up	<p>Comparative agencies (including East Bay Municipal Utility District, City of San Jose, Orange County Water District) do not routinely utilize external (to the organization) review board members on their consultant selection panels. The potential delay in securing qualified individuals to commit to participate is not offset by any potential improvement in the review process. The only recommended exception is that external review members be involved in consultant selection process that (1) are highly-technical in nature warranted additional expertise not provided by District staff, or (2) are projects in excess of \$1 million in budget.</p> <p>Alternatively, if the District desires to maintain a higher level of external participation than is typically allocated by other agencies, additional external review members can be utilized – when they can be secured without undue delay in the review and award of contracts. District staff is considering the use of one (1) external panel member for contracts over \$100,000 and two (2) external panel members over contracts with budgets over \$250,000. While this level of external participation is not supported by best practices or the comparative analysis, as long as implementation does not significantly delay processing and award of contract, the project team is not opposed this approach if the District implements it to address other issues (public perception, enhanced technical expertise, etc.).</p> <p>To address issues regarding objectivity, consistency, and transparency of the process by internal staff, the SCVWD should implement an internal training session for all individuals that will serve on a review panel. Individuals who have not attended the training should not be allowed to participate on the panel until attending training. This approach will increase consistency, application of adopted policies, and uniformity among participants in evaluating submissions.</p>

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Key Issue	Comments / Recommendations
Vendor Performance / Debarment Process.	<p>Five of the peer agencies that were surveyed did not have a formal vendor debarment process in place and one has a process in place (that provides for an appeal to the Elected Officials) but has never utilized the process. Best practices dictate the District should consider prior performance with a vendor / consultant when making procurement decisions.</p> <p>The project team evaluated several options for the District. The first was the full implementation of a consultant and vendor evaluation process that would include the completion of an evaluation form by the District project manager, sharing the evaluation with the vendor, and providing the opportunity for an administrative appeal / response on unsatisfactory evaluations. This recommendation will require either additional staff or the reallocation of staff time to implement.</p> <p>The second alternative recommendation, and the one recommended by the project team is the implementation of more comprehensive evaluation criteria regarding performance as part of the selection process. This would include requiring the vendor to list all prior work with the District including District staff contacts and reference checking prior performance. Additionally, questions should be asked during the consultant selection process requiring the vendor to note if they have been debarred or had contracts cancelled due to non-performance and to provide details on each circumstance.</p> <p>We are not recommending a change in the evaluation process that takes into consideration prior performance as a separate evaluation criteria. This evaluation should be factored into the evaluation criteria currently utilized in areas such as: references / prior work.</p>

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Key Issue	Comments / Recommendations
Use of pre-qualified lists in consultant selection.	<p>The project team reviewed the data compiled by District staff regarding the utilization of existing pre-qualified lists. Historically, the number of contracts awarded from pre-qualified listings is extremely low. Of twenty-one pre-qualified lists only 2 had three contracts awarded; 4 had 2 contracts awarded, and 8 had 1 contract awarded. Seven of the lists were not utilized. Staff processed 302 consultant proposals in response to the RFQs for establishing the prequalified listing. Given the low utilization, the staff time and effort to establish lists is not offset by actual contract volumes awarded during the term of the listings. Additionally, some SBEs (and other Vendors) indicated that missed prequalification list eligibility prevented future opportunities for work with the District.</p> <p>Based in part upon historically low utilization, the recommendation is to eliminate most pre-qualified lists with the exception of those where at least 5 contracts are reasonably certain to be awarded in the next two years. This will focus staff time and effort on activities where a return on effort can be achieved.</p> <p>On those prequalified lists that are maintained, the recommendation is to implement the rolling-review of submittals and placement on the list so that qualified individuals may be placed on the listing upon application if they meet eligibility requirements. Most agencies utilizing this approach provide a 30-day review period (performance target) for staff to review applications of firms desiring to be added. Applications would be accepted on a rolling basis. Terms should be placed in all solicitations noting the indefinite term of the list and enabling the District to cancel the listing if future anticipated work does not support continued development and maintenance.</p> <p>The project team recommends that the District maintain existing lists that have been established until they would otherwise expire (there are three active lists that would fall into this category with expiration occurring between 12/10 and 4/11).</p>

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Key Issue	Comments / Recommendations
SBE Participation Levels	<p>While primarily a policy decision regarding the level of preference awarded, the comparison to other agencies provides a framework for discussion. By way of comparison, East Bay Municipal Utility District utilizes a 25% SBE participation goal and provides a 5% preference (not to exceed \$50,000 annually per contract). Orange County and Contra Costa Water Districts do not have a formalized SBE participation program.</p> <p>The SCVWD has a highly effective utilization rate with SBE participation in District consultant selections averaging 30% over the last 6 years. This level of inclusion for SBE participation is a leader among the surveyed comparables.</p> <p>No recommendation is made to change the current SCVWD SBE preference unless participation level drops below the current 10% goal.</p> <p>However, it is also recommended that the District develop a listing to be placed on the Districts website of both Small Business Enterprises and Local Business Enterprises (by expertise code) that are interested in teaming with prime consultants on District projects. This listing would be self-subscribed by the SBE/LBE but the District would facilitate the outreach effort.</p> <p>The final recommendation made by the project team is the elimination of required pre-proposal meeting attendance for any consultant contract under \$1 million. Industry practices are dictating a move away from mandatory pre-proposal meetings unless the project is highly technical, requires site visits, or are high dollar projects. The elimination of the mandatory meetings will also address concerns expressed by some small and local business enterprises regarding practices that limit their ability to participate in the process.</p>

Key Issue	Comments / Recommendations
LBE Participation Levels	<p>The project team has not identified a similar agency that was able to implement an LBE preference for a special service district that has the requisite nexus for legal purposes. Of the surveyed comparables, only the City of San Jose has an LBE program in place. The District's legal counsel has previously provided legal advice regarding the District's inability to meet the legal requirement for implementation.</p> <p>The current efforts at supporting small / local businesses such as vendor fairs should continue and the use of expanded SBE / LBE registration on the District's website should be implemented to provide additional assistance to these firms in making connection with prime contractors.</p> <p>Additionally, training should be provided that supports the efforts of small business enterprises and local business enterprises in accessing information regarding opportunities for conducting business with the District and in preparing and submitting proposal applications.</p>
Travel Policy / Business Lunches	<p>Limits should be placed on coverage for business lunches including: reimbursement at a maximum of the Federal Per Diem limits. Reimbursement lists attendees as the meeting, location, receipt, and short summary of the purpose of the meeting.</p> <p>Specific prohibition should be placed on the reimbursement for business lunches that are conducted with 1) potential and current vendors; 2) attended only by internal staff; and 3) not related to specific training, conferences, etc.</p>

In addition to the key issues listed above, additional changes to existing policies and procedures were identified through the comparison of the District's practices to best management practices, the comparative survey, and the feedback received from internal and external customers.

(2) The District Should Implement Various Changes to Existing Policies and Procedures to Improve Services and Integrate Best Management Practices.

The following table of issues were identified both through discussions with staff regarding policies and practices and through the completion of the best management practices evaluation. The table outlines the key recommendation being made and a

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short summary description of the rationale and basis for the recommendation.

Recommendation	Summary Narrative Rationale for the Recommendation
The District should implement a comprehensive procurement policy manual to guide procurement staff and business units in compliance with Districts adopted policy.	The Level II and Level III policies will be developed as a subsequent task of this project. The District should review and implement all policies as soon as practical and require training for all District staff involved in processing or approving procurements.
The authority of the professional procurement staff and the authority of business units should be clarified to delineate appropriate roles and authority levels.	The revised policies under development will clarify the role of procurement staff and business unit staff in the procurement process. A more centralized approach to procurement is being recommended.
District staff involved in procurement decisions, specifically those involved in proposal review, evaluation and vendor / consultant selection should attend required training and sign conflict of interest statements.	The need exists to ensure that all staff are well-trained in the District's policy and the need for a transparent, ethical, and unbiased procurement decisions. All staff should attend required training and sign an understanding of the conflict of interest policy.
The Districts "how to do business guide" should be expanded to include additional information regarding the Districts procurement policies and the specific response requirements.	A detailed how to do business guide should be available on the District's website for potential vendors to (1) understand the district's procurement policies, and (2) fully understand the specific requirements for submittal of proposals and bids.
Periodic training should be provided by the District for potential vendors.	The How to Do Business guide should be utilized as a framework for conducting training for potential vendors. Periodic training sessions should be held where interested vendors can learn of the opportunities for doing business with the District and how to successfully submit a proposal meeting the District's requirements. This effort should be specifically targeted to SBE and local businesses but open to all interested vendors.
Supervisory and management training on the procurement process should include a specific focus on appropriate utilization of sole source, the individual's ethical responsibilities, and the individual liability for violations (including potential disciplinary action).	If accountability for compliance with the District's policy is going to be enhanced and implemented throughout the organization, all managers and supervisors must receive appropriate training on the policies, how to apply them and what impacts can accrue to them individually for violation of the policy. This training should be included as part of the Task 4 training.

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Recommendation	Summary Narrative Rationale for the Recommendation
<p>The District should implement a more standardized set of terms and conditions and contracts utilized throughout the procurement process. Only district approved legal documents should be utilized and unless extenuating circumstances exist, only the standard contracts should be utilized. A separate standardized contract (and terms and conditions) should be developed for consultant contracts and non-consultant contracts.</p>	<p>While the District has in place some standardized terms and conditions and legal contracts, these are not always used consistently and are in need of updating. The District should require only the use of their approved legal forms and terms and conditions for all consultant contracts and for purchase order procurements.</p>
<p>The District should implement a formal procurement card auditing program that requires the random auditing of at least 5% of p-card transactions on a monthly basis.</p>	<p>The District does not currently have a formal p-card auditing program. While p-card submissions are reviewed for accuracy and compliance as processed, this process is not consistent nor formalized. The review is more focused on ensuring appropriate completion of forms and attachment of supporting documentation than on compliance with the p-card policy.</p>
<p>The District should expand the utilization of the People Soft software to integrate and automate the procurement function specifically with the utilization of electronic purchase requisitions and electronic receipting by the Business units.</p> <p>Additional training should be offered on the utilization of the CAS system for vendors.</p>	<p>The current software system (PeopleSoft) is utilized for the processing of all purchase orders. However, the District has not implemented the utilization of the capacity for handling electronic purchase requisitions. All purchase requisitions are completed by the Business units manually and entered by procurement staff into the Quest system (an in-house developed database) for tracking and assignment to buyers. The utilization of electronic requisitions and receipting will free time for Procurement staff to perform higher level duties by eliminating manual processes.</p> <p>The Quest system and PeopleSoft system are not integrated. A separate system, CAS, is utilized for managing contracts. At this point in time, the project team does not recommend the replacement of the CAS system due to the investment in the system and the general functionality of the system.</p>
<p>Staff should be provided with a checklist and training on the information that must be maintained in all procurement files. The PIMU manager should include an evaluation of the staff's compliance within each annual performance evaluation.</p>	<p>The maintenance of appropriate documentation on a consistent basis is not occurring. The failure to fully maintain files with all required information on a consistent basis leaves the District open to liability should disagreements occur with vendors. Several examples of the impact this has caused the District in the last several years were shared with the project team.</p>

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Recommendation	Summary Narrative Rationale for the Recommendation
<p>The District should conduct, at least annually, a formal spend analysis including procurements handled on purchase orders, credit cards and direct payments to identify opportunities for enhancing procurement sourcing efforts.</p>	<p>On the goods and services side, opportunities have been identified to expand the use of pre-qualified lists (in contrast to the recommendation to reduce / eliminate their use for consultant selections) to speed up the procurement process and garner better pricing / terms through larger volumes. This type of evaluation often identifies goods and services that are being procured by individual business units where a cooperative effort may result in better utilization of procurement staff resources and overall cost savings for the District.</p>
<p>Periodic reports generated at least quarterly should be developed showing the status of all contracts entered into by the District on both a schedule and budget basis.</p>	<p>No routine reporting is conducted by the Procurement staff regarding the status of contracts entered into by the District. Most reporting and contract monitoring is done at the project manager level. However, the District Procurement staff should develop a simple reporting mechanism to assist the various business units and project managers in the monitoring of contracts. The District should institute a routine report, provided to top management, that lists on a quarterly basis all contracts that have budget amendments (including the percentage of the change to original budget) or schedule extensions.</p>
<p>The implementation of additional "flags" and internal controls within the computer system should be implemented either through the coding into the software system or through reporting mechanisms to enable the procurement staff to enhance its role in ensuring compliance with District policies and procedures.</p>	<p>The computer systems in place are not set-up in a manner that "flags" certain procurement activities for review by staff to enhance internal controls and monitoring of compliance with established policies and procedures. Examples of activities that should be flagged include: procurement of common goods by different operating units (opportunity for consolidated purchasing), multiple orders placed with the same vendor / consultant for services within a pre-defined time period, and contract amendments or change orders that exceed a pre-determined threshold of the original contract.</p>

Recommendation	Summary Narrative Rationale for the Recommendation
The District should make several changes in the duties assigned to procurement staff. These changes include: (1) Eliminate the Procurement's staff role in the processing of direct payments by combining with the check request process handled by Accounts Receivable and/or requiring Business Units to electronically submit requisitions for these payments; and (2) having individual Business Units responsible for handling their own travel arrangements and limited the role of procurement staff to a compliance function.	Some functions within the Procurement Unit should be reallocated organizationally to enhance productivity, reduce redundancy, and clarify roles and responsibilities. Specifically, the District should look to eliminate the use of direct payments processed by the procurement staff. The staff is responsible only for the creation of a purchase requisition as a tool for authorization of payment by accounts payable. However the procurement staff do not routinely review, evaluate or alter the request for payment. The other major area of opportunity is changing the procedures regarding travel arrangements from having a staff member within Procurement responsible for making and processing travel arrangements to having individual business units responsible for this function. None of the comparative agencies utilized procurement staff for the making of travel arrangements. In those organizations, procurement staff's role was limited to the review of submitted documentation to ensure compliance with the adopted policies and procedures.

Many of these changes include a change to existing policies, procedures and practices and detailed policies for implementation (including those for procurement staff use and business unit staff use). These will be developed during the next phase of the project. The final report will provide more detailed narrative, rationale, and inclusion of supporting documentation on each recommendation.

3. ESTABLISHMENT OF PERFORMANCE MEASURES.

In order for the staff assigned to procurement and contract to be fairly evaluated regarding performance, to ensure operating units understand the service levels to be expected from procurement and contracts staff, and to enable the overall performance of the units to be evaluated over time (in a consistent fashion), performance measures should be adopted for both the PIMU and CSU staff.

Following adoption of the performance measures, a monthly report should be generated that outlined the two units performance against the adopted standards. This report should be utilized not only for internal evaluation of service provided to the operating units but the report should be published on the District's intranet to communicate performance levels to the other operating units.

For initial performance measures, the project team recommends the following measures be considered for adoption:

Unit	Measure
PIMU	Percentage of purchase orders valued at \$2,500 or less issued within two (2) work days after receipt of complete purchase requisition – Target 95%.
PIMU	Percentage of purchase orders for approved sole source goods or services issued within five (5) work days after receipt of complete purchase requisition – Target 95%
PIMU	Percentage of purchase orders valued at \$15,000 or less for which requisitioner submitted acceptable quotations issued within five (5) working days after receipt of complete purchase requisition – Target 95%
PIMU	Percentage of purchase orders requiring informal bids issued within ten (10) working days after receipt of complete purchase requisition – Target 90%
PIMU	Percentage of purchase orders requiring formal bids issued within sixty (60) work days after receipt of complete purchase requisition – Target 90%
CSU	Percentage of Contracts awarded within 30 (or 45) days of proposal receipt date – Target 95%
CSU	Percentage of Contracts awarded within 60 days of receipt of requisition – Target 90%.

The adoption of performance measures / service targets are necessary in order for the staff to improve and measure performance levels, establish credibility with operating units, and enable performance over time to be evaluated. The initial performance measures adopted should take into consideration, to some extent, the existing policies, procedures, and methods utilized (i.e. – limited electronic requisitions) but a longer-term goal should be to reduce the measures as changes in operating practices are implemented.

7. EVALUATION OF STAFFING AND ALTERNATIVE PLANS OF ORGANIZATION

7. Evaluation of Staffing and Alternative Plans of Organization

The project team reviewed and analyzed various alternatives related to the appropriate plan of organization and staffing allocations for the procurement function (including both Procurement & Inventory Management and Contracts Management Units). In evaluating the various alternative structures, the project team utilized the following to guide their evaluation and analysis.

Public sector organizational structures are often developed over time and not frequently adjusted to address changes in service delivery approach, workloads, and/or changes in technology. The “way we’ve done it” becomes the understood, accepted, and unquestioned approach to providing services.

In evaluating the various organizational alternatives for the procurement functions under review, the Matrix Consulting Group utilized a number of principles for organizational structure. These principles are presented in the points, below:

- **Services provided by the SCVWD Procurement functions should be organized on a ‘form follows function’ basis** with a clear, distinct and comprehensive sense of purpose or mission for each functional area. Functions are grouped consistent with their periodic interaction, common planning and scheduling systems, delivery of services which are linked in some way, etc. resulting in functional cohesion.
- **The organizational structure should foster accountability.** Does the organizational structure foster accountability among management and supervisory staff? While this criteria overlaps with the management systems utilized, the organizational structure itself can facilitate or impede the performance of an organization.
- **Organizational structure should facilitate decision-making, planning and management of operations and activities.** This impacts both the

organizational structure and the management / supervisory staffing assigned within a structure. Critical functions within an organization should be placed where those responsible can access key decision makers without having to work through multiple layers of an oversight organization. Similarly, less vital functions can be safely placed more deeply within an organizational structure.

- **Organizational structure and management systems should not be unnecessarily complex.** Organizational structures and management systems should be based on common sense and should also be easily understood both internally and externally.
- **The plan of organization should enhance communication and coordination.** The number of handoffs/exchanges required among different departments, division, and/or business units providing service to the public (or to internal staff) is minimized. The structure enhances shared knowledge and understanding among divisions and departments. The channels of communication are clear and consistent.
- **Staff resources should be utilized efficiently.** The plan of organization minimizes administrative overhead. Workload can be distributed/shared to maximize the productivity of staff through peaks and valleys and offer cross-functional capabilities (e.g., to balance workload of maintenance staff across street maintenance, snow removal, park and athletic field maintenance, etc.). Processes can be standardized to enhance the efficiency and customer responsiveness of services.
- **Human potential should be realized.** The plan of organization enhances career development opportunities, training and recruitment and retention.
- **The quality and responsiveness of services provided to customers should be improved.** The plan of organization enables staff to provide better service to the public in terms of cycle times, user friendliness, performance management, quality control, and consistency of the application of policies and procedures. Customers (internal or external) are the hub – with the organization designed around them.
- **An organizational structure, and functional placement, should make common sense both internally and externally.** The placement of functions within an organizational structure must make sense both to those who are involved in the delivery of the services and to those for whom the services are provided. Internal equity in the placement of similar functions should be achieved and absent compelling reasons / rationale, the organizational placement should conform to industry practices.
- **An organization must be designed to maximize efficiency of programs and of its own staffing.** An organizational structure is the reflection of the priorities

of the customers in many ways. This includes the efficiency with which the operations of the organization are conducted.

These principals should be considered in evaluating any organizational structure under consideration including the placement of functions within the organization.

(1) The Alternative Organizational Structures were Analyzed Based upon Their Ability to Maximize Conformance with the Identified Criteria.

These principles were then converted into a matrix to enable the project team to evaluate each alternative. The primary purpose of the matrix was to focus the project team on alternatives and to evaluate the each of those alternatives using the criteria.

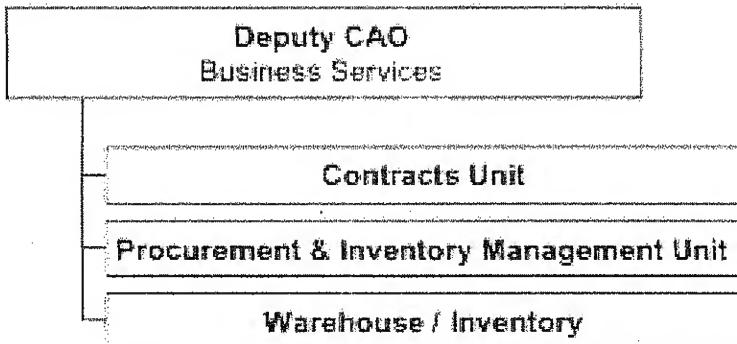
CRITERIA
Organization and Structure <ul style="list-style-type: none">• Clear lines of accountability• Spans of control/number of management layers• Functional cohesion
Communication and cohesion <ul style="list-style-type: none">• Hand-offs/exchanges (internal/external)• Physical/virtual proximity• Shared knowledge/understanding
Resource Utilization (Cost) <ul style="list-style-type: none">• Administrative overhead• Workload management (even distribution)• Process efficiency/standardization• Resource sharing
Human Capital <ul style="list-style-type: none">• Career development• Training• Recruitment and retention
Agility and Flexibility of the Organization <ul style="list-style-type: none">• Scalability (ability to manage peaks and valleys)• Adaptability (cross functional capability)
Service Quality and Responsiveness <ul style="list-style-type: none">• Customer service• Performance management• Quality control checks and balances• Consistency of policy/procedure application

These criteria were considered, as part of the review, for all alternatives considered to ensure arguments for and against each alternative was considered, leading to a recommendation for a preferred alternative.

(2) The Largest Identified Issues Regarding Staffing Raised Related to Overall Organizational Structure and Organizational Placement of the Various Procurement Functions.

While staffing levels for each function are necessarily an issue and concern for all parties involved, the larger issues raised during the study related to the appropriate organizational location of various functions and how the procurement function overall should be organized. The current organizational structure is represented in the following organizational chart:

Santa Clara Valley Water District
Existing Functional Organizational Structure



As shown, the existing units (Contracts, Procurement, and Warehouse) report to a single individual who reports to the Chief Administrative Officer for the District. These functions are organizationally located at a similar authority level as other "internal

service" functions such as Human Resources, Financial Planning & Management, and Information Systems.

(1) One Alternative Considered Involved the Elevation of the Procurement Function to a Corporate Level Unit With Direct Reporting the CEO.

Some concerns were shared with the project team that without the placement of the Procurement at a higher-level within the organization, the ability of the District to address some of the current issues present in procurement and gaining consistency and centralization District-wide would be difficult or impossible. The general belief is that the organizational placement at a higher level would convey a level of authority and respect that is not possible to achieve with procurement in its current organizational placement.

While in some organizations, procurement is a stand-alone department, it is just as often located within a larger Financial Services Department. In our experience with other agencies, the organizational placement alone does not cure, correct or prevent issues related to procurement compliance or the level of respect granted to the staff members. The key factor is the level of clarity in the policies and procedures, the consistency and performance of staff in handling assigned duties, and the level of authority granted by elected officials and the chief administrative officer to the procurement staff.

In reviewing current practices, and changes that have been made within the organization in the last year, our assessment is that the forward momentum in improving the procurement process (and the credibility of the staff assigned to it) has been a both a high priority for the procurement managers and the Districts overall administration. This focus on improving services to Business Units has already been

noticed by many throughout the District and must continue in order to repair the relationship between procurement staff and business units.

The comparative survey conducted by the project team showed an organizational placement not dissimilar to that at the SCVWD for most respondents. The procurement function was typically either a component of a financial operation or on par with other internal service functions (such as Human Resources, Finance, IT, etc.). The project team believes that a similar approach should be maintained by the District for the procurement function. With the adoption of new policies and procedures that more clearly outline the role between procurement / contracts staff and the specific practices to be followed, the project team does not believe that any further benefit would be achieved from the elevation of these functions to a higher level within the organization. Any potential benefits can be accomplished through the clear direction provided by the CEO / CAO regarding practices to be followed.

As noted, the project team does not recommend a reorganization of the procurement function to place it at a high level within the organization. We do support the continued effort by top administrators to grant and hold the procurement staff accountable for guiding the organizations procurement efforts and requiring Business Units to utilize the Procurement Staff as a resource rather than pursuing their procurement actions independently. The continued centralization of the procurement functions (with the exception of those authorized via p-cards) is important for the District to gain control over the entire process and to fully make the necessary changes desired.

(2) Other Alternative Structures Reviewed Focused on the Appropriate Placement of the Individual Pieces of the Procurement Functions.

Assuming that the procurement is appropriately located at the appropriate level within the organization, the next question reviewed by the project team was how the individual procurement functions should be grouped and organized with the Procurement Services Division of Administration. The individual components reviewed included:

- Procurement Staff (commodities, good and services);
- Contracts Staff (consultant contracts);
- Warehouse / Inventory Staff; and
- Construction Contracts (not currently a part of Procurement – responsible for Public Works in excess of \$25,000).

The following table summarizes the options considered for each of these units, the recommended placement, and a summary rationale.

Organizational Unit	Alternatives	Recommendation and Summary Rationale
Procurement (goods & services)	No alternatives considered. This is a core function of the procurement organization. Several alternatives were reviewed that included other units being combined with the Procurement function. These options are outlined in the following sections.	Maintain current organizational location with direct reporting to the Deputy Administrative Officer.
Contracts	Three principal alternatives were considered: (1) Maintain as a separate unit (as currently structured); (2) Maintain as a separate unit with additional services added to the roles & responsibilities (such as responsibility for Service Contracts, and/or Construction Contracting); and (3) Combine	The maintenance of the Contracts Unit as a stand-alone unit is a viable alternative and would continue the practice currently in place. However, it maintains a segregation / differentiation of duties that is not always made in other organizations.

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Organizational Unit	Alternatives	Recommendation and Summary Rationale
	<p>with Procurement under one Unit Manager.</p>	<p>Under the first alternative considered, the project team believes that maintenance of the unit as currently structured is not the preferred alternative. It limits the ability to cross-train and cross-utilize staff, maintains a narrow focus regarding roles and responsibilities, and limits other organizational structures to be considered.</p> <p>The second alternative where Contracts assumes the responsibility for handling service contracting and/or construction contracting is a preferred approach to the first alternative. This approach would enable the District to place one individual with expertise and skill over all contracts (consulting, service, and construction). It would enable the standardization of policies and procedures, provide a single individual accountable for all contracting functions, and enable the cross-utilization of staff to a much greater degree than is currently attainable. If this alternative were pursued, it would necessitate several personnel changes including: (1) Elevation of Program Administrator to a Unit Manager level (at an estimated annual cost approximating \$10,000); (2) reallocation of construction contract staff to the Contracts unit from other operating units (at least 1 FT position at a minimum would be required); and reclassification of other positions within the unit to ensure the classifications enable full cross-utilization.</p> <p>The third alternative would combine the Contracts function under a single Manager responsible for both Procurement and Contracts (and potentially Warehouse also). This approach</p>

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Organizational Unit	Alternatives	Recommendation and Summary Rationale
		<p>would most closely implement the Macias goal of having one individual responsible for procurement actions of the District (while at a different organizational level then recommended in that report). Most surveyed organizations did not organizationally segregate these functions in their organization. Staff performing these roles all reported to a single Procurement Professional. The combination of these two units (or three if Warehouse is included) into a single organizational unit enables some enhanced opportunities to cross utilize staff, provide for career progression, and integrate processes.</p> <p>Additionally, it provides a single individual responsible for all major procurement functions and enables other organizational structures to be implemented with other units as discussed below.</p>
Warehouse / Inventory	<p>Alternatives reviewed included: (1) Separate unit under Deputy CAO as currently organized; (2) Consolidation with PIMU under a single manager as one organizational unit; and (3) reallocation to another organizational unit outside of procurement.</p>	<p>In reviewing the alternatives for the appropriate organizational location for the Warehouse function, the project team considered typical locations in other organizations (where this function is usually part of Procurement or a Public Works-type function), the integration and interaction of staff from this unit with others (i.e. – a high level of interaction and support provided by Warehousing with Equipment Management, Facilities, etc.), the appropriateness of overall managerial spans of control (would inclusion with other units create an overly hierarchical structure or excessive spans of control), among others.</p> <p>The project team's analysis resulted in two alternatives that</p>

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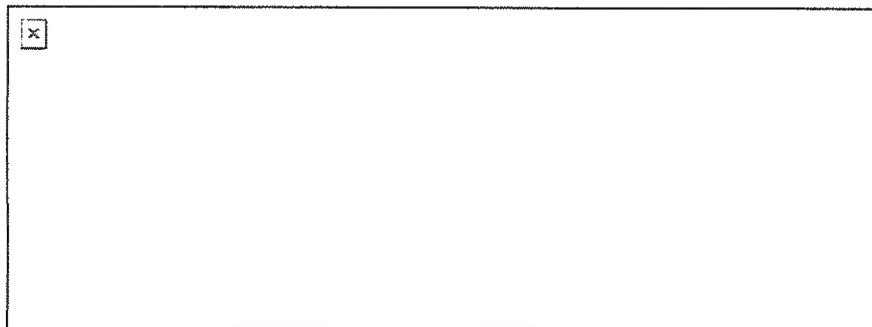
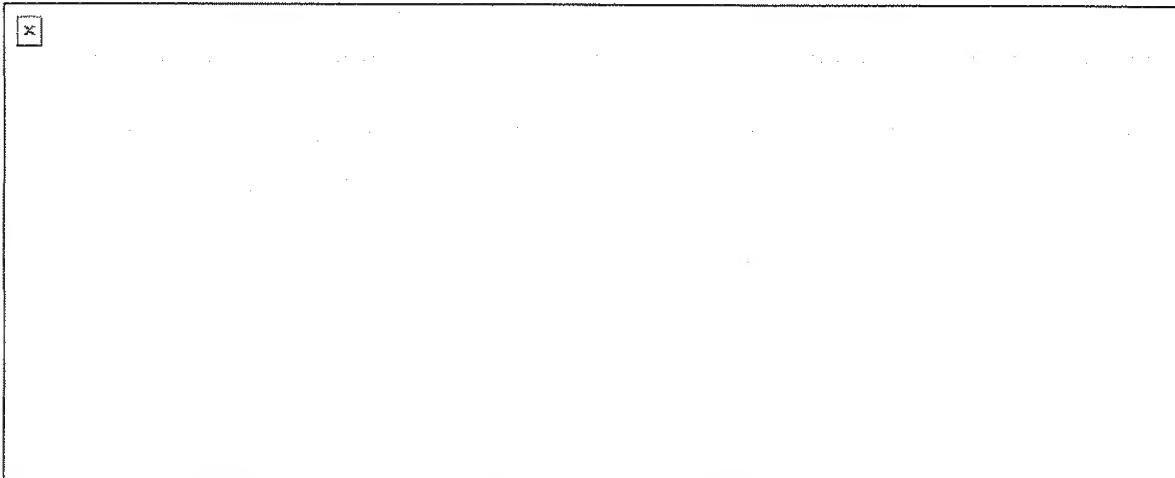
Organizational Unit	Alternatives	Recommendation and Summary Rationale
		<p>are acceptable organizational locations: combination with the Equipment Maintenance unit as a single unit; or combination with the existing PIMU unit (as currently operating under a single manager).</p> <p>The second alternative (combination with PIMU) is most appropriate if there is no combination of Contracts and PIMU. If Contracts and PIMU are combined, the District should be cautious about implementing a broad span of control for the Manager. Additionally, it may be difficult to find a single individual with all the skill sets needed by this individual to fill the vacancy. The major benefit of this approach is that the interaction between PIMU and Warehouse is high, the current acting manager in PIMU has experience in Warehouse, and implementation moves the District forward with implementation of the Macias recommendation.</p> <p>The first alternative is the one that is more frequently seen organizationally by the project team. Most organizations that do not include the warehouse function as a component unit of Procurement, generally include this function in combination with a maintenance function such as equipment. The only concern with this approach is the necessity of ensuring that the designated manager has an appropriate skill set sufficient to supervise both the warehouse function (which serves the entire organization) and the equipment maintenance function (which is a more technical and narrowly focused skill set). The approach would enable the District to eliminate one Unit Manager</p>

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Organizational Unit	Alternatives	Recommendation and Summary Rationale
		<p>position and replace it at a lower level. The project team could support the combination of the Warehouse function with the Equipment Management function under a single Manager.</p> <p>However, the alternative that most closely implements the intent of the Macias recommendation is the institution of a single Manager over PIMU, Contracts, and Warehouse. In pursuing this option, the District should be cognizant of spans of control.</p>
Construction Contracts	<p>Alternatives considered included maintenance outside of Procurement (as currently located) or inclusion with the Procurement Function.</p>	<p>While the project team has not conducted a comprehensive review of the construction contracts function (as this was not a function under existing scope), we have reviewed the organizational structure and compared to best practices, our experience with other public entities, and the overall impact on procurement practices in the organization if a change were made.</p> <p>The project team recommends that the District include the Construction Contracts staff within the overall procurement function. This organizational placement would support a consistent approach to procurement District-wide, place one Manager responsible and accountable for all major procurement functions, and enable staff members to be utilized for efficiently and effectively in handling these types of procurements. Currently, Buyers are responsible for procuring construction contracts under \$25,000.</p> <p>This approach is a common organizational approach utilized by other similar organizations</p>

Organizational Unit	Alternatives	Recommendation and Summary Rationale
		where a professional level of support is provided by the Procurement / Contracts staff to the operating units regarding processing of all contracting opportunities.

Based upon the recommendations outlined above, the following two charts represents the two functional organizational structures that the project team supports and are recommended that would be represented upon implementation.



In addition to these organizational changes, the project team recommended other short-term staffing alterations in the prior section regarding changes in policies, practices, and use of technology that would impact staffing allocations. The two primary ones include:

- **Implementation of Electronic Purchase Requisitions:** This will enable a significant portion of the Purchasing Tech II position to be allocated to other duties. Additionally, the utilization of electronic purchase requisitions will simplify the process and time spent by each buyer on converting purchase requisitions to purchase orders and enable them to focus time on higher priority / greater value functions.
- **Eliminate Use of Purchase Technician for Travel Arrangements:** Transferring the responsibility from a procurement specialist to the Business Units to make basic travel arrangements (vehicle, hotel, airfare, etc), will free up approximately 50% this individual's time to devote to other functions. This position would remain responsible for evaluating travel requests for compliance with policy.

After full implementation of all changes, the project team recommends that the District re-evaluate staffing allocations based upon workloads and performance levels in place at that time. Given the significance of some of the changes, the project team believes that further reductions or changes in staffing at this point would be counter-productive. The project team will provide benchmarks regarding workloads and service levels that can be utilized by the District in conducting this evaluation.

